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Government
Publications



Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

1996

Volume I



Summary Report
and Financial
Statements

Canada

100th Anniversary

The 100th Anniversary Edition
of the Public Accounts
of Canada
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The Canadian Public Accounts

Government
of Canada

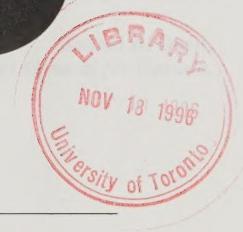
Gouvernement
du Canada

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1996

Volume I



**Summary Report
and Financial
Statements**

Canada

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To His Excellency

The Right Honourable Roméo LeBlanc,
P.C., C.C., C.M.M., C.D.,
*Governor General and
Commander-in-Chief of Canada.*

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 1996.

All of which is respectfully submitted.

Marcel Massé,
President of the Treasury Board.

OTTAWA, SEPTEMBER 23, 1996

To The Honourable Diane Marleau,
Receiver General for Canada.

Madam:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 1996.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in two volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion; the observations by the Auditor General on the financial statements of Canada; a ten-year summary of the Government's financial transactions; analyses of revenues and expenditures, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

The audited financial statements contained in Volume I are for the year ended March 31, 1996.

Respectfully submitted,

Ranald A. Quail,
Deputy Receiver General for Canada.

OTTAWA, SEPTEMBER 23, 1996

To The Honourable Marcel Massé,
President of the Treasury Board.

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 1996, to be laid by you before the House of Commons.

Respectfully submitted,

Diane Marleau,
Receiver General for Canada.

OTTAWA, SEPTEMBER 23, 1996

VOLUME I

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF CANADA

Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in two volumes.

Volume I presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: audited financial statements of the Government of Canada;

SECTION 2: ten-year summary of the Government's financial transactions;

SECTION 3: review of revenues, expenditures and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of current liabilities and allowances;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of current assets;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances; and,

SECTION 10: analysis of other information related to the financial statements.

Volume II is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

SECTION 1

1995-96

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Opinions of the Auditor General

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NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in an **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

You can obtain a copy of the **Annual Financial Report** by calling the Department of Finance at (613) 995-2855

**PREFACE TO THE
FINANCIAL STATEMENTS
OF THE GOVERNMENT OF CANADA**

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, financial requirements and changes in financial position for the year. Two supplementary statements report transactions under the *Spending Control Act* and the *Debt Servicing and Reduction Account Act*.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund"; second, that the balance of the Fund, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of five statements and accompanying notes.

The first statement is the Statement of Transactions, which shows the extent to which cash going out from the Government exceeded cash coming in, and the resulting net new borrowing. The financial transactions are classified into the following categories:

- **Budgetary transactions** are all transactions with outside parties which enter into the calculation of the annual deficit or surplus of the Government, that is, tax and non-tax revenues, together with expenditures.
- **Non-budgetary transactions** are all transactions in assets and liabilities, other than those related to foreign exchange and unmatured debt.
- **Foreign exchange transactions** are all transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar), the net position of the Government with respect to the International Monetary Fund, and unmatured debt payable in foreign currencies.

- **Unmatured debt transactions** show increases or decreases in unmatured debt, that is, the net change in amounts owing for marketable bonds, Canada savings bonds, special non-marketable bonds for the Canada Pension Plan and Treasury bills. They exclude unmatured debt payable in foreign currencies.

The second statement is the Statement of Accumulated Deficit, which reflects the net accumulation of annual deficits and surpluses since Confederation.

The third statement is the Statement of Revenues and Expenditures, which presents the Government's revenues, expenditures and deficit for the year.

The fourth statement is the Statement of Assets and Liabilities. This statement discloses the Government's cash balances and investments, and amounts owing to and by the Government at the end of the year. It differs in some ways from a conventional private sector balance sheet. Two major differences concern items that are not reported on this statement: capital assets, having been accounted for as expenditures when acquired, and tax revenues receivable since tax revenues are generally reported on a cash basis. The difference, therefore, between total assets and total liabilities is simply the aggregate of annual budgetary deficits and surpluses determined in accordance with the accounting policies of the Government.

The fifth statement is the Statement of Changes in Financial Position, which provides information on the Government's cash requirements for operating and investing activities, and how these activities were financed.

In addition to the financial statements, two supplementary statements provide details of transactions under the *Spending Control Act* and the *Debt Servicing and Reduction Account Act*. The *Spending Control Act* deals with limiting program spending for the period from 1991-92 to 1995-96 inclusive to the levels projected in the February 1991 Budget. The *Debt Servicing and Reduction Account Act* calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending.

Other sections in this volume, together with Volume II of the *Public Accounts of Canada* provide more detailed supplementary information in respect of matters reported in the financial statements. The opinion of the Auditor General on the financial statements does not extend to this supplementary information.

STATEMENT OF RESPONSIBILITY

The financial statements in this section were prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 of the statements on a basis consistent with that of the preceding year.

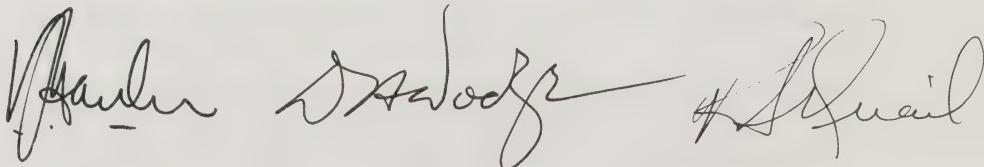
Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are generally prepared on an accrual basis of accounting; two notable exceptions are that capital assets are charged to budgetary expenditures at the time of acquisition or construction and tax revenues are generally reported on a cash basis. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized record of the Government's financial transactions, and obtains additional information as required, from departments, agencies and Crown corporations, to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act*, section 8 of the *Spending Control Act* and section 9 of the *Debt Servicing and Reduction Account Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Canada.



V. PETER HARDER
Secretary of the Treasury Board and
Comptroller General of Canada

DAVID A. DODGE
Deputy Minister of Finance

RANALD A. QUAIL
Deputy Receiver General for Canada



**OPINION OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons

I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 1996 and the statements of revenues and expenditures, accumulated deficit, changes in financial position and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit, as required by section 6 of the *Auditor General Act*.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1996 and the results of its operations, the changes in its financial position and its financial requirements for the year then ended, in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 of the financial statements. As required by section 6 of the *Auditor General Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year.

Additional information and comments on the financial statements and this opinion are included in my observations at the end of this section.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 22, 1996

GOVERNMENT OF CANADA**Statement of Transactions
for the Year Ended March 31, 1996**
(in millions of dollars)

	1996	1995
BUDGETARY TRANSACTIONS		
Revenues.....	130,301	123,323
Expenditures.....	-158,918	-160,785
Deficit for the year.....	-28,617	-37,462
NON-BUDGETARY TRANSACTIONS		
Net source or requirement (-) from loans, investments and advances	2,668	-65
Net source from pension and other accounts	7,646	8,659
Net source from other transactions	1,120	3,026
Net source.....	11,434	11,620
Financial requirements (excluding foreign exchange transactions).....	-17,183	-25,842
NET REQUIREMENT (-) OR SOURCE FROM FOREIGN EXCHANGE TRANSACTIONS ⁽¹⁾	-4,816	4,828
Total financial requirements	-21,999	-21,014
NET SOURCE FROM UNMATURED DEBT TRANSACTIONS ⁽¹⁾	28,661	20,770
Increase or decrease(-) in cash	6,662	-244
CASH IN BANK AT BEGINNING OF YEAR	1,893	2,137
CASH IN BANK AT END OF YEAR	8,555	1,893

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ Change in unmatured debt payable in foreign currencies, - \$112 million in 1996 (\$6,253 million in 1995), has been included as part of foreign exchange transactions.

GOVERNMENT OF CANADA**Statement of Accumulated Deficit
for the Year Ended March 31, 1996**
(in millions of dollars)

	1996	1995
ACCUMULATED DEFICIT, BEGINNING OF YEAR.....		
DEFICIT FOR THE YEAR	545,672	508,210
ACCUMULATED DEFICIT, END OF YEAR (Note 5).....	28,617	37,462
574,289		
545,672		

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Revenues and Expenditures
for the Year Ended March 31, 1996
(in millions of dollars)

	1996		1995	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
REVENUES (Note 3)				
TAX REVENUES—				
Income tax—				
Personal	65,195	60,167	61,676	56,329
Corporation	15,955	15,955	11,604	11,604
Other income tax revenues	2,105	2,105	1,769	1,769
	83,255	78,227	75,049	69,702
Unemployment insurance premiums	18,510	18,510	18,928	18,928
Excise taxes and duties—				
Goods and services tax	19,174	16,375	19,602	16,786
Energy taxes	4,404	4,404	3,824	3,824
Customs import duties	2,969	2,969	3,575	3,575
Other excise taxes and duties	3,539	2,856	3,493	2,904
	30,086	26,604	30,494	27,089
	131,851	123,341	124,471	115,719
TOTAL TAX REVENUES	142,510	130,301	135,079	123,323
NON-TAX REVENUES—				
Return on investments	4,567	4,475	5,078	5,021
Other non-tax revenues	6,092	2,485	5,530	2,583
	10,659	6,960	10,608	7,604
TOTAL NON-TAX REVENUES	142,510	130,301	135,079	123,323
EXPENDITURES (Note 4)				
TRANSFER PAYMENTS—				
Old age security benefits, guaranteed income supplement and spouse's allowance	20,430	21,034	20,143	20,511
Unemployment insurance benefits ⁽²⁾	13,476	13,476	14,815	14,815
Fiscal arrangements	8,627	8,210	8,067	7,674
Insurance and medical care	7,115	7,115	7,691	7,691
Canada Assistance Plan	7,191	7,191	7,266	7,266
Education support	2,365	2,365	2,486	2,486
Child tax benefits	5,215		5,322	
Other transfer payments	22,546	19,747	24,413	21,597
	86,965	79,138	90,203	82,040
TOTAL TRANSFER PAYMENTS	6,040	4,321	5,741	5,003
CROWN CORPORATION EXPENDITURES				
OTHER PROGRAM EXPENDITURES—				
National Defence	10,293	9,935	11,063	10,693
All other departments and agencies	20,924	18,619	23,488	21,003
	31,217	28,554	34,551	31,696
TOTAL OTHER PROGRAM EXPENDITURES	124,222	112,013	130,495	118,739
TOTAL PROGRAM EXPENDITURES	46,905	46,905	42,046	42,046
PUBLIC DEBT CHARGES	171,127	158,918	172,541	160,785
TOTAL EXPENDITURES	28,617	28,617	37,462	37,462
DEFICIT FOR THE YEAR				

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues credited to expenditures.

⁽²⁾ Unemployment insurance benefits exclude administration costs of \$1,351 million (\$1,285 million in 1995) and interest expenses of \$228 million (\$423 million in 1995) related to the operation of the Unemployment Insurance Account. These costs have been allocated to other program expenditures and public debt charges respectively.

GOVERNMENT OF CANADA

Statement of Assets and Liabilities
as at March 31, 1996
(in millions of dollars)

	1996	1995
LIABILITIES		
CURRENT LIABILITIES AND ALLOWANCES—		
Accounts payable and accrued liabilities	19,276	18,390
Interest and matured debt	7,403	4,831
Allowance for employee benefits	4,290	3,910
Allowance for loan guarantees and borrowings of Crown corporations	5,440	5,540
TOTAL CURRENT LIABILITIES AND ALLOWANCES	36,409	32,671
INTEREST-BEARING DEBT—		
Unmatured debt—		
Payable in Canadian currency—		
Marketable bonds	252,700	225,679
Treasury bills	166,100	164,450
Canada savings bonds	30,460	30,460
Bonds for Canada Pension Plan	3,478	3,488
Payable in foreign currencies	452,738	424,077
Total unmatured debt (Note 6)	16,809	16,921
Pension and other accounts—		
Public sector pensions (Note 7)	107,882	101,033
Canada Pension Plan (net of securities) (Note 8)	3,636	3,406
Other	5,322	4,755
Total pension and other accounts	116,840	109,194
TOTAL INTEREST-BEARING DEBT	586,387	550,192
TOTAL LIABILITIES	622,796	582,863
ASSETS		
CURRENT ASSETS—		
Cash in bank	8,555	1,893
Cash in transit	4,189	3,241
Less outstanding cheques and warrants	12,744	5,134
Total cash	3,700	3,751
Accounts receivable (net of allowance for doubtful accounts of \$2,005 million (\$1,676 million in 1995))	9,044	1,383
TOTAL CURRENT ASSETS	15,016	5,736
FOREIGN EXCHANGE ACCOUNTS (Note 9)	19,054	14,350
LOANS, INVESTMENTS AND ADVANCES—		
Enterprise Crown corporations (Notes 10 and 13)	14,663	18,218
Joint and mixed enterprises	1,300	4,374
National governments including developing countries (Note 11)	3,221	3,282
International organizations (Note 11)	5,565	5,480
Less notes payable	1,905	1,935
Provincial and territorial governments	3,660	3,545
Other	709	876
Less allowance for valuation	2,154	1,710
TOTAL LOANS, INVESTMENTS AND ADVANCES	25,707	32,005
TOTAL ASSETS	48,507	37,191
ACCUMULATED DEFICIT (Note 5)	574,289	545,672

The accompanying notes are an integral part of this statement.
Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA**Statement of Changes in Financial Position
for the Year Ended March 31, 1996**

(in millions of dollars)

	1996	1995
CASH REQUIREMENTS FOR ⁽¹⁾:		
OPERATING ACTIVITIES —		
Deficit for the year	28,617	37,462
Less expenditures not requiring cash—		
Interest on pension and other accounts ⁽²⁾	11,166	10,234
Government contribution for employee benefits	1,581	1,598
Provision for valuation of assets and liabilities	-3,164	314
	9,583	12,146
	19,034	25,316
Net payments from pension and other accounts	3,182	2,033
Net change in current assets and liabilities	-2,402	-664
CASH REQUIRED FOR OPERATING ACTIVITIES	19,814	26,685
INVESTING ACTIVITIES —		
Net decrease in loans, investments and advances	-3,630	-1,035
Net increase in foreign exchange accounts	4,704	1,425
CASH REQUIRED FOR INVESTING ACTIVITIES	1,074	390
TOTAL CASH REQUIREMENTS	20,888	27,075
FINANCED BY:		
Net increase or decrease (-) in borrowings—		
Canadian currency	28,661	20,770
Foreign currencies	-112	6,253
	28,549	27,023
Net change in cash	7,661	-52
CASH AT BEGINNING OF YEAR	1,383	1,435
CASH AT END OF YEAR	9,044	1,383

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.⁽²⁾ Interest on pension and other accounts excludes interest on the allocations of special drawing rights by the International Monetary Fund totalling \$69 million (\$83 million in 1995).

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

In these financial statements, the Government of Canada includes the financial activities of all of its departments, agencies, corporations and funds, which are owned or controlled by the Government and which are accountable to Parliament, except for:

- i. the Canada Pension Plan, which is under joint control of the Government and participating provinces. Payments of benefits from the Plan are financed from contributions by employers, employees and self-employed persons, as well as from interest on investments which are mainly in provincial government securities; and
- ii. enterprise Crown corporations which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment less allowance for valuation, as well as any amounts receivable from or payable to the corporations.

Basis of accounting

The Government reports revenues and expenditures on both a gross and net basis. On the net basis, certain expenditures are deducted from revenues and certain revenues are deducted from expenditures as described in Note 3.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the child tax benefit program are charged in the period to which they relate.

Non-tax revenues are reported on an accrual basis.

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement. Capital leases are recorded as expenditures over the lease term as payments are made. Expenditures include allowances for any changes in the value of any assets, or to reflect liabilities at their economic value.

Financial claims are recorded as assets, except for those related to tax revenues. Assets are recorded at cost and are subject to annual valuation to reflect reductions from their recorded value to the estimated realizable value. The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.

Financial obligations to outside organizations or individuals are recorded as liabilities if the underlying event occurred prior to or at year end. Liabilities are recorded at the estimated amount ultimately payable, with such estimates being revised on an annual basis.

Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are included in full or in part as expenditures when the economic value of these loans is reduced due to their concessionary terms.

Sovereign loans

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has provided allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral agreements.

Gold

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of five major currencies. More details on gold reserves are provided in Note 9.

Employee benefits

Employees' entitlements to severance and pension benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the employees. More details on public sector pensions are provided in Note 7.

Contingent liabilities

Contingent liabilities, generally, are reported in the notes to the financial statements until one or more future events occur or fail to occur. At such time, they may become actual liabilities and, if so, they are then recorded in the accounts. An exception is made for losses on loan guarantees which are accrued as liabilities when it is likely that a payment will be required in the future to

honour a guarantee and where the amount of the loss can be reasonably estimated. Specific amounts of contingent liabilities are reported when available. Where specific amounts are not available, estimates of potential liability are used, if determinable. Items for which no reasonable estimate can be made are not included. More details on contingent and environmental liabilities are provided in Notes 14 and 15 respectively.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using rates at March 31.

Comparative information

Comparative figures are reclassified to conform to the current year's presentation.

2. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before money can be spent by the Government. Some approvals are given in the form of annually approved limits (appropriation acts). Other approvals come from other legislation in the form of statutory spending authority for specific purposes (for example, old age security). During the year, expenditures were made under the following authorizations:

	(in millions of dollars)	
	1996	1995
Annual spending limits voted by Parliament	49,551	51,512
Expenditures permitted under other legislation.....	104,722	97,060
Total expenditures authorized during the year.....	154,273	148,572
Less amount available for use in subsequent years and lapsed, net of over- expended	4,225	3,824
Total used in the current year.....	150,048	144,748
Effect of consolidating certain accounts and provision for valuation	8,870	16,037
Net total expenditures per Statement of Revenues and Expenditures	158,918	160,785

The use of budgetary expenditures authorities as reported in the preceding table differs from the total net expenditures reported on the Statement of Revenues and Expenditures. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the expen-

ditures (budgetary) authorities available for use. In addition, the authorities exclude the general provision for valuation of assets and liabilities, which is authorized by section 63 of the *Financial Administration Act*.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$54,766 million (\$52,862 million in 1995) was authorized for loans, investments and advances. A net amount of \$1,423 million was used (\$195 million was repaid in 1995), an amount of \$3,604 million (\$868 million in 1995) lapsed and an amount of \$49,739 million (\$52,189 million in 1995) is available for use in subsequent years.

Details (unaudited) about the source and disposition of authorities are provided in Volume II (Part I) of the *Public Accounts of Canada*.

ii. Overexpenditure of spending authorities

During the year, capital expenditures Vote 5 of the Department of National Defence and capital expenditures Vote 40 of the Canadian Space Agency were overexpended by less than \$50 million each.

These overexpenditures arose through the recognition of expenditures and liabilities pertaining to the 1995-96 fiscal year, for which payments will be made in subsequent years. Consequently, related authorities of a subsequent year will be reduced by any payments made to discharge liabilities that resulted from the overexpenditures.

Details (unaudited) of all overexpended votes can be found in the ministerial sections of Volume II (Part I) of the *Public Accounts of Canada*.

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. The laws authorizing borrowings may be summarized as follows:

	(in millions of dollars)	
	1996	1995
Unused authorities at beginning of year.....	NIL	NIL
Authorities granted during the year.....	28,900	34,300
Total authorities available.....	28,900	34,300
Authorities used during the year.....	28,668	26,853
Authorities lapsed during the year.....	232	7,447
Unused authorities at end of year	NIL	NIL

The difference between the use of borrowing authorities of \$28,668 million (\$26,853 million in 1995) and the increase in unmatured debt of \$28,549 million (\$27,023 million in 1995) for the year is made up of changes in holdings of Canadian debt, changes in foreign currency adjustments and changes in adjustments to consolidated Crown corporation holdings.

No temporary borrowings were authorized in 1995 or 1996.

3. Revenues

On the Statement of Revenues and Expenditures, revenues and expenditures are reported on both a gross and net basis. The difference between the two are revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues credited to expenditures. Gross and net transactions are presented in the following tables.

i. Personal income tax

The following table presents details of personal income tax revenues as classified in the Statement of Revenues and Expenditures:

	(in millions of dollars)	
	1996	1995
Gross personal income tax	65,195	61,676
Less: Child tax benefits—		
Child tax credits	21	43
Child tax benefit payments	5,197	5,286
Fiscal arrangements—Youth allowance recovery	417	393
Social benefit repayments—		
Family allowances	-3	-7
Old age security benefits	-604	-368
Net personal income tax	60,167	56,329

Details (unaudited) can be found in Section 3 of this volume.

The difference between the gross and net totals of personal income tax revenues consists of items that are related to expenditures but are determined through the income tax or fiscal arrangements processes. These items are reflected in the gross amounts of the relevant transfer payments in the Statement of Revenues and Expenditures.

ii. Excise taxes and duties

The following table presents details of the goods and services tax (GST), and other excise taxes and duties as classified in the Statement of Revenues and Expenditures:

	(in millions of dollars)	
	1996	1995
Goods and services tax received	38,048	36,715
Less: Refunds	16,482	14,787
Rebates ⁽¹⁾	1,531	1,447
GST paid by ministries	861	879
Gross goods and services tax	19,174	19,602
Less other transfer payments—		
Quarterly tax credits	2,799	2,816
Net goods and services tax	16,375	16,786
Gross other excise taxes and duties	3,539	3,493
Less other program expenditures—Revenues netted against expenditures	683	589
Net other excise taxes and duties	2,856	2,904

Details (unaudited) can be found in Section 3 of this volume.

⁽¹⁾ GST rebates are reported net of GST collected by claimants.

The difference between gross and net GST represents quarterly tax credits which are related to expenditures but are determined through the personal income tax process. These credits are reflected in the gross amounts of other transfer payments in the Statement of Revenues and Expenditures. The difference between gross and net other excise taxes and duties represents revenues netted against expenditures. These revenues are reflected in the gross amounts of other program expenditures in the Statement of Revenues and Expenditures.

iii. Non-tax revenues

The following table presents details of non-tax revenues as classified in the Statement of Revenues and Expenditures:

	(in millions of dollars)	
	1996	1995
Gross return on investments		
Loans, investments and advances	3,076	2,868
Foreign exchange accounts	1,424	1,932
Other	67	278
	4,567	5,078
Less: Other program expenditures—		
Revenues netted against expenditures	38	36
Crown corporation expenditures—		
Revenues of consolidated Crown corporations	54	21
Net return on investments	4,475	5,021
Gross other non-tax revenues	6,092	5,530
Less: Other program expenditures—		
Revenues netted against expenditures	1,942	2,230
Crown corporation expenditures—		
Revenues of consolidated Crown corporations	1,665	717
Net other non-tax revenues	2,485	2,583

Details (unaudited) can be found in Section 3 of this volume.

The difference between the gross and net totals of return on investments and other non-tax revenues consists of revenues netted against expenditures and revenues of consolidated Crown corporations. These revenues are reflected in the gross amounts of other program expenditures and Crown corporation expenditures in the Statement of Revenues and Expenditures.

4. Expenditures

Expenditures on the Statement of Revenues and Expenditures are as follows:

i. By type of resources acquired or disbursements made

Standard Object	(in millions of dollars)	
	1996	1995
(1) Personnel	16,747	19,155
(2) Transportation and communications	1,797	1,826
(3) Information	242	204
(4) Professional and special services	3,241	3,169
(5) Rentals	1,017	1,061
(6) Purchased repair and maintenance	1,325	1,397
(7) Utilities, materials and supplies	2,690	2,430
(8) Construction or acquisition of land, buildings and works	776	918
(9) Construction or acquisition of machinery and equipment	3,266	3,466
(12) Other subsidies and payments	6,156	6,666
	37,257	40,292
(13) Less: Revenues netted against expenditures	2,663	2,855
Revenues of consolidated Crown corporations	1,719	738
Net total—Other program and Crown corporation expenditures	32,875	36,699
(10) Gross transfer payments	86,965	90,203
Less tax credits and repayments	7,827	8,163
Net transfer payments	79,138	82,040
Total net program expenditures	112,013	118,739
(11) Public debt charges	46,905	42,046
Total net expenditures	158,918	160,785

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

ii. Other transfer payments by ministry

	(in millions of dollars)	
	1996	1995
Agriculture and Agri-Food	1,813	1,355
Foreign Affairs and International Trade	2,081	2,544
Human Resources Development	2,521	2,439
Indian Affairs and Northern Development	4,861	4,614
Industry	1,748	1,702
Veterans Affairs	1,391	1,445
Other ministries	5,332	7,498
Total	19,747	21,597

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

iii. Other program expenditures by ministry

	(in millions of dollars)	
	1996	1995
Finance	1,619	177
Fisheries and Oceans	1,179	1,212
Foreign Affairs and International Trade	1,101	1,189
Health	1,054	1,164
Industry	1,666	1,429
National Revenue	2,055	2,042
Public Works and Government Services	1,672	1,720
Solicitor General	2,580	2,526
Treasury Board	1,230	755
Other ministries	4,463	8,789
National Defence	18,619	21,003
Total	9,935	10,693
	28,554	31,696

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

iv. Public debt charges

	(in millions of dollars)	
	1996	1995
Interest on— unmatured debt	23,805	21,573
pension and other accounts	11,235	10,317
Amortization of discounts on Canada and Treasury bills	11,422	9,685
Amortization of premiums, discounts and commissions on all other debt	390	393
Servicing costs and costs of issuing new borrowings	53	78
Total public debt charges	46,905	42,046

Details (unaudited) can be found in Section 3 of this volume.

v. Transitional assistance for GST harmonization

In March of 1996, the Government made a commitment to the Provinces of Newfoundland and Labrador, New Brunswick and Nova Scotia to provide transitional assistance totalling \$961 million in respect of a four-year period commencing April 1, 1997 to facilitate their participation in a harmonized value-added tax system. In April 1996, these provinces agreed in principle to participate in the proposed harmonized tax system. The Government has recorded this assistance as a liability at March 31, 1996 and charged \$961 million to other transfer payment expenditures for this measure.

vi. Public Service restructuring

In 1994-95, the Government took specific measures to reduce employment in the Public Service over a three year period ending in July 1998, and charged the estimated termination costs of \$2,319 million to other program expenditures in that year. In 1995-96, the Government expanded this employment reduction program and re-estimated its total costs. As a consequence, in 1995-96, the Government charged \$722 million to other program expenditures for staff reduction initiatives. Of this amount, \$572 million relates to Public Sector pension costs.

5. Accumulated Deficit

In accordance with its stated accounting policies, the Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts for specified purposes. Legislation requires that the revenues of these accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the retained earnings of the consolidated Crown corporations included in the accumulated deficit:

	(in millions of dollars)	
	1996	1995
Accumulated deficit excluding consolidated accounts	573,267	540,704
Consolidated accounts—		
Unemployment Insurance Account	142	4,095
Western Grain Stabilization Account	1,088	1,090
Crop Reinsurance Fund	285	343
Other insurance accounts	-277	-263
Agriculture Commodity Stabilization Accounts	-19	-14
Other consolidated accounts	-267	-257
	574,219	545,698
Consolidated Crown corporations	70	-26
Accumulated deficit	574,289	545,672

Details (unaudited) can be found in Section 4 of this volume.

6. Unmatured Debt

The following table presents interest rates and maturity of debt issues by currency and type at face value:

Maturing years	(in millions of dollars)							
	Marketable bonds			Canada savings bonds ⁽¹⁾	Bonds for Canada Pension Plan	Canada bills		Canada notes
	Foreign currencies expressed in Canadian \$	Canadian \$	Treasury bills			Foreign currencies expressed in Canadian \$	Foreign currencies expressed in Canadian \$	
1997.....	26,055		166,100		11	6,985	147	199,298
1998.....	27,973	2,718		3,597	11		155	34,454
1999.....	23,975	2,718		3,410	12		2	30,117
2000.....	19,803				17			19,820
2001.....	26,950	2,039			23		6	29,018
2002 and subsequent.....	128,010	2,039		24,421	3,404			157,874
Less Government's holdings of unmatured debt.....	252,766	9,514	166,100	31,428	3,478	6,985	310	470,581
	66			968				1,034
	252,700	9,514	166,100	30,460	3,478	6,985	310	469,547
Effective average annual interest rate	8.48	6.22	5.89	6.58	10.21	5.20		5.64
Range of interest rates	3-15.75	6.375-6.5	4.93-8.36	5.25-6.75	8.73-17.51	4.92-5.81		5.45-6.19

Details (unaudited) can be found in Section 6 of this volume.

⁽¹⁾ Canada savings bonds are redeemable on demand.

Government debt is issued at both fixed and variable rates. The Government has entered into interest swap agreements to facilitate management of the risks associated with its interest rate exposure. At March 31, 1996, Canadian interest swap agreements amounted to \$7,731 million (Cdn \$7,925 million in 1995) in notional principal. Under these agreements, which expire between 1996 and 2005, fixed interest rate commitments have been converted to variable rates (tied to the London Interbank Offered Rate (LIBOR) or Banker's Acceptance). The Government had no US interest swap agreements in 1996 (US \$1,625 million in 1995).

The Government has entered into currency swap arrangements where Canada has exchanged Cdn \$1,081 million (Cdn \$400 million in 1995) for US \$786 million (US \$286 million in 1995). The Government pays a floating rate of interest on the US \$786 million and receives a floating rate of interest on the Cdn \$1,081 million. The US floating rate is tied to LIBOR, and the Canadian floating rate is tied to the Banker's Acceptance.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges in the Statement of Revenues and Expenditures.

Foreign currency amounts are translated to the Canadian dollar equivalent at year end and include the following:

	(in millions of dollars)		
	1996	1996	1995
Face value		Canadian \$	Canadian \$
United States dollars.....	12,368	16,810	16,921

7. Public Sector Pensions

The Government is responsible for defined benefit pension plans covering substantially all of its full-time employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Crown corporations) as well as federally appointed judges and Members of Parliament. Pension benefits are generally calculated by reference to highest earnings for a specified period of time, are related to years of service and are indexed to inflation. Separate funds are not set aside to provide for payment of these pension benefits.

Annually, pension obligations are estimated by projecting benefits expected to be paid in the future and calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, workforce composition, retirement rates and mortality rates. The long-term rate of inflation used in the valuation is 2.0 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$9,600 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$13,000 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 1996, which amounted to \$86,530 million (\$82,380 million in 1995) and unamortized pension adjustments of \$21,352 million (\$18,653 million in 1995). The unamortized pension adjustments will be amortized over periods ranging from 7 to 14 years which reduce expenditures in those years.

Interest at the Government's long-term bond rate (about 10.4 percent in 1996 and 1995) is calculated in accordance with the pension legislation and is reported as part of the public debt charges. Charges to expenditures are summarized as follows:

	(in millions of dollars)	
	1996	1995
Employer contributions	1,427	1,459
Pension costs attributable to Public Service restructuring ⁽¹⁾	572	819
<i>Public Service Superannuation Act</i> pension plan amendment	415	
Statutory payments under various acts	86	82
Less amortization of estimation adjustments	-2,399	-1,959
Net pension costs	101	401
Interest charged to public debt charges	10,481	9,699
	10,582	10,100

Details (unaudited) can be found in Section 6 of this volume.

⁽¹⁾ Public Service restructuring is discussed in more detail in Note 4.

8. Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada, under joint control with the participating provinces.

The Canada Pension Plan Account was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. Additionally, the Canada Pension Plan Investment Fund was established in the accounts of Canada to record the investment in securities of the provinces, territories and Canada. The liability at March 31, 1996 is reported as the balance in the Account net of securities held by the Fund. A summary of the financial activities of the Plan is presented as follows :

	(in millions of dollars)	
	1996	1995
Canada Pension Plan Account—		
Balance beginning of year.....	40,373	40,951
Contributions received	10,607	10,464
Interest earned	4,376	4,415
Pensions and benefits paid	-15,969	-15,257
Administration expenditures	-219	-200
Balance end of year.....	39,168	40,373
Invested in—		
Provincial securities	32,054	33,479
Canada bonds	3,478	3,488
Deposit with the Receiver General for Canada	3,636	3,406
	39,168	40,373

The financial statements of the Plan are included in Section 6 of this volume.

The Plan is financed on a pay-as-you-go basis, which means that pensions and benefits are paid out of current contributions. As administrator, the Government's authority to spend is limited to the balance of the Account of \$39,168 million (\$40,373 million in 1995). Governing legislation does not require the Plan obligations to be determined on an actuarial basis (a process that estimates the current value of future benefits using various assumptions). The balance in the Account is therefore planned, over time, to equal about two times the projected annual payments in the following year. The Fifteenth Actuarial Report on the Canada Pension Plan prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions provides further discussion on funding of the Plan.

9. Foreign Exchange Accounts

i. Foreign exchange accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations.

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	1996	1995
International reserves held in the Exchange Fund Account.....	18,908	14,356
International Monetary Fund—		
Subscriptions	8,580	9,433
	27,488	23,789
Less: International Monetary Fund—		
Notes payable	6,886	7,737
Special drawing rights allocations	1,548	1,702
	8,434	9,439
Total foreign exchange accounts.....	19,054	14,350

Details (unaudited) can be found in Section 8 of this volume.

ii. Gold

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is kept in the form of gold: 3.3 million fine ounces (3.9 million fine ounces in 1995). These gold holdings are valued at 35 SDRs or \$69.51 (\$76.42 in 1995) per fine ounce, which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of five major currencies. This valuation results in a recorded value of \$230 million (\$298 million in 1995), which is much lower than the market value basis of \$1,778 million (\$2,139 million in 1995) using values of \$538.68 per fine ounce in 1996 (\$548.49 in 1995).

Further details are provided in the financial statements of the Exchange Fund Account in Section 8 of this volume.

10. Loans, Investments and Advances

i. *Loans, investments and advances include the following:*

	(in millions of dollars)	
	1996	1995
Enterprise Crown corporations—		
Canada Deposit Insurance Corporation . . .	1,627	2,160
Canada Mortgage and Housing Corporation . . .	7,288	7,860
Canadian National Railway System ⁽¹⁾ . . .		2,360
Export Development Corporation . . .	983	851
Farm Credit Corporation . . .	3,428	3,642
Business Development Bank of Canada . . .	353	303
Other . . .	984	1,042
<i>Total enterprise Crown corporations</i> . . .	<i>14,663</i>	<i>18,218</i>
Joint and mixed enterprises—		
Petro-Canada ⁽¹⁾ . . .	1,226	4,300
Other . . .	74	74
	1,300	4,374
National governments including developing countries . . .	3,221	3,282
International organizations (Net) . . .	3,660	3,545
Provincial and territorial governments . . .	709	876
Other . . .	2,154	1,710
<i>Total loans, investments and advances</i> . . .	<i>25,707</i>	<i>32,005</i>

Details (unaudited) can be found in Section 9 of this volume.

⁽¹⁾ More information can be found in part iv. of this note.

ii. *Crown corporations*

The Government wholly owns fifty-three companies referred to as Crown corporations.

Some of these companies rely on the Government for most of their financing. There are twenty-one (twenty-two in 1995) such companies whose financial activities are consolidated in these financial statements. Therefore, no loan balances with these corporations are recorded in the table above. The major corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

Other companies are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining; these companies are called enterprise Crown corporations. Their financial affairs are not included in these financial statements, except that their borrowings are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. Details of these corporations are included in Section 9 of this volume.

Financial statements of all Crown corporations are included in the President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.

iii. *Enterprise Crown corporations*

As shown in i. above, the Government's recorded financial assets for this group amount to \$14,663 million (\$18,218 million in 1995). Of this amount, \$3,234 million (\$5,391 million in 1995) represents investments in capital stock and contributed capital of the corporations. The balance represents loans and advances made by the Government.

Financial results for the enterprise Crown corporations are summarized as follows:

	(in millions of dollars)	
	1996	1995
Assets (including fixed assets and deferred charges of \$6,032 (\$13,528 in 1995)) . . .	76,572	82,171
Liabilities . . .	72,390	75,792
Net equity . . .	4,182	6,379
Revenues . . .	17,798	21,883
Expenses . . .	15,445	19,958
Net income for the year . . .	2,353	1,925
Other changes in equity		
Dividends ⁽¹⁾ . . .	-1,859	-1,588
Other ⁽²⁾ . . .	-2,691	610
	-2,197	947
Opening net equity . . .	6,379	5,432
Closing net equity . . .	4,182	6,379
Contractual commitments . . .	5,519	9,331
Contingent liabilities . . .	544	592

Details (unaudited) can be found in Section 9 of this volume.

⁽¹⁾ Amounts reported as dividends include \$1,841 million (\$1,571 million in 1995) from the Bank of Canada.

⁽²⁾ More information can be found in part iv. of this note.

iv. *Privatization*

In 1995-96, the Government sold its total investment in the Canadian National Railway Company (CN) and has also sold a major portion of its investment in Petro-Canada.

The proceeds generated from the disposal of CN amounted to \$2,079 million of which \$1,219 million was received by March 31, 1996 and \$860 million will be received on or before November 26, 1996. The sale of CN, net of allowances of \$1,022 million charged to previous years' deficits resulted in a net gain of \$171 million.

The proceeds generated from the disposal of 123.9 million shares of Petro-Canada amounted to \$1,746 million of which \$693 million was received by March 31, 1996. The remaining \$1,053 million will be received in two equal instalments on or before September 26, 1996 and March 24, 1997. The sale of Petro-Canada, net of allowances of \$1,481 million charged to previous years' deficits resulted in a net gain of \$154 million. As at March 31, 1996, the

Government's holding in Petro-Canada has been reduced to 49.4 million shares, or about 20 percent of the company.

11. International Development Assistance—Loans and Subscriptions

i. Loans to developing countries

Included in loans to national governments of \$3,221 million (\$3,282 million in 1995) are loans to developing countries of \$1,752 million (\$1,828 million in 1995). Due to the concessionary nature of these loans (extended terms, low interest rates or no interest), loans signed before April 1, 1986 have been fully provided for in the allowance for valuation of assets. All similar loans disbursed after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

ii. Loans, investments and advances to international organizations

Loans, investments and advances to international organizations, including development banks and their related funds, total \$5,565 million (\$5,480 million in 1995) against which notes payable to these institutions of \$1,905 million (\$1,935 million in 1995) are netted. These notes are non-interest bearing, non-negotiable and payable on demand, although normally encashed within seven years.

Generally, advances to the funds are considered to be of a more concessionary nature as the funds lend to developing countries on beneficial terms. Accordingly, advances to the funds prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets. Advances to the funds after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

12. Contractual Commitments

The nature of Government activity results in some large multi-year contracts and obligations. Major contractual commitments that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	1996	1995
Transfer payment agreements	11,110	11,269
Acquisition of property and equipment, and goods and services	3,285	5,022
Operating and capital leases	4,077	4,372
International organizations	1,516	2,400
Benefit plans for veterans	5,750	5,500
Pension liability under Continuation Acts	230	300
	25,968	28,863

Details (unaudited) can be found in Section 10 of this volume.

Estimated expenditures against these commitments in future years are as follows:

YEAR	(in millions of dollars)
1997	6,461
1998	4,906
1999	4,093
2000	3,855
2001	3,358
2002 and subsequent	3,295
	25,968

Details (unaudited) can be found in Section 10 of this volume.

i. Transfer payment agreements

Included in the transfer payment agreements commitments of \$11,110 million (\$11,269 million in 1995) is an amount of \$8,868 million (\$9,585 million in 1995) related to various contractual obligations of Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,800 million per year. Uncertainty in forecasting makes estimates beyond the year 2001 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to this date.

ii. Operating and capital leases

Capital leases have various terms up to 50 years. Of the total of \$4,077 million (\$4,372 million in 1995) in operating and capital leases, \$3,106 million (\$3,323 million in 1995) represents future payments for capital leases. Of this, \$2,020 million (\$2,205 million in 1995) is imputed interest and executory costs.

iii. Benefit plans for veterans

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,150 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2001 unreliable. Accordingly, the amounts reported under Benefit Plans for Veterans cover only to this date.

13. Insurance Programs

Three enterprise Crown corporations, whose financial affairs are not consolidated with these financial statements, operate insurance programs for the Government. In the event the corporations have insufficient funds, the Government will have to provide financing.

Canada Deposit Insurance Corporation provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 1996 amounted to \$327,757 million (\$323,895 million in 1995). The Corporation is expected to be self-financing through premiums collected from members. However, at March 31, 1996, it has accumulated a shortfall of \$1,301 million (\$1,747 million in 1995). The Government expects that this amount will be made up from members' premiums in future years and that no costs will be incurred by the Government.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1996 was \$118,600 million (\$103,900 million in 1995). The Fund has a surplus of \$29 million as at March 31, 1996 (deficit of \$72 million in 1995). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Corporation provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 1996 was \$7,821 million (\$7,373 million in 1995). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Details (unaudited) can be found in Section 10 of this volume.

14. Contingent Liabilities

Contingent liabilities which may become actual liabilities, may be summarized as follows:

	(in millions of dollars)	
	1996	1995
Guarantees by the Government	37,003	34,314
Less allowance for losses.....	5,440	5,540
	31,563	28,774
International organizations.....	17,768	16,863
Claims and pending and threatened litigation.....	11,114	10,178
Consolidated Crown corporations	35	42
	60,480	55,857

Details (unaudited) can be found in Section 10 of this volume.

The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations when it is likely that a future payment will be made.

The Government has callable share capital in certain international organizations that could require payment to these agencies. In addition, the Government has issued lines of credit to international organizations to finance future lending.

Included in claims and pending and threatened litigation are aboriginal claims of \$5,552 million (\$6,229 million in 1995) and comprehensive aboriginal land claims of \$623 million in 1996 and 1995. Approximately 454 additional specific aboriginal claims related to statutory and treaty obligations have not been totally quantified in either 1996 or 1995 along with 57 (49 in 1995) comprehensive land claims.

Also included in claims and pending and threatened litigation is \$1,760 million relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1996.

15. Environmental Liabilities

The Government has adopted a Code of Environmental Stewardship covering all areas of its operations. The Code will be complemented by a list of targets and objectives reflecting environmental commitments that the Government has made or is making and that will be implemented in its operations. They will cover a broad range of issues, from real property management and waste generation to contaminated site clean-up.

While estimates of total radioactive and non-radioactive waste clean-up costs for Canada have ranged as high as \$30,000 million, much of this amount is clearly the responsibility of other levels of government and the private sector. Some estimates place the federal share at \$2,800 million. However, reasonable estimates of costs attributable to the Government cannot be fully determined at this time. The determination of these costs will be subject to and depend on evolving public policy, legislation, and results of the search for long-term cost-effective waste disposal solutions. The Government will continue to work toward the reasonable determination and disclosure of environmental liabilities in accordance with generally accepted accounting principles.

SUPPLEMENTARY STATEMENTS

In the February 1991 Budget, the Government introduced measures aimed at improving its financial and economic position. These measures included proposals for a *Spending Control Act* and a *Debt Servicing and Reduction Account Act*. On June 18, 1992, both Acts were passed by Parliament with implementation for the 1991-92 fiscal year.

The intention of these Acts is to limit program spending. The *Spending Control Act* deals with limiting program spending for the period from 1991-92 to 1995-96 inclusive to the levels projected in the February 1991 Budget. The *Debt Servicing and Reduction Account Act* calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending. Transactions in respect of both Acts are reported in the following two statements.

OPINION OF THE AUDITOR GENERAL ON THE STATEMENT REQUIRED UNDER THE *SPENDING CONTROL ACT*

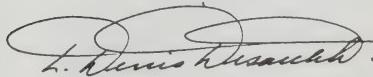
To the House of Commons

I have audited the statement by the Minister of Finance respecting compliance with the *Spending Control Act* for the year ended March 31, 1996. This financial statement is the responsibility of the Government. My responsibility is to express an opinion on this financial statement based on my audit, as required by section 8 of the *Spending Control Act*.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents information fairly, in all material respects, in accordance with the *Spending Control Act* and the stated accounting policies of the Government of Canada as set out in Note 2 of the financial statement. As required by section 8 of the *Spending Control Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year.

Additional information and comments on the financial statement and this opinion are included in my observations at the end of this section.



L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 22, 1996

Statement by the Minister of Finance respecting compliance with the *Spending Control Act* for the Year Ended March 31, 1996

(in thousands of dollars)

	1996	1995
Total expenditures for the year.....	158,918,014	160,784,829
<i>Less:</i>		
Public debt charges	46,905,395	42,045,877
Expenditures under the <i>Unemployment Insurance Act</i>		
Benefits	13,475,969	14,814,773
Administration costs	1,350,821	1,284,785
Expenditures under the <i>Farm Income Protection Act</i>		
Net repayments of advances to a Revenue Insurance Fund and provincial revenue insurance program or gross revenue insurance program.....	-38,822	-24,979
Expenditures related to events occurring prior to April 1991	3,387	3,646
	<i>61,696,750</i>	<i>58,124,102</i>
Program spending subject to spending control (Note 4).....	97,221,264	102,660,727
Spending limit for the year.....	111,250,000	107,400,000
Expenditures justified by current or future years' increases in revenues (Note 3).....	69,000	72,600
Adjusted spending limit for the year.....	111,319,000	107,472,600
Underspending for the year	-14,097,736	-4,811,873

The accompanying notes are an integral part of this statement.

Notes to the Statement by the Minister of Finance respecting compliance with the *Spending Control Act*

1. Authority and Objective

The statement is required by the *Spending Control Act* which received Royal Assent on June 18, 1992. Section 6 of the Act requires that for each controlled fiscal year, a statement by the Minister of Finance respecting compliance with this Act in that year, be reported in the *Public Accounts of Canada*. This Act covers fiscal years 1991-92 to 1995-96 inclusive.

The objective of the *Spending Control Act* is to ensure that the program spending over the 1991-92 to 1995-96 fiscal years will not, except under prescribed circumstances, exceed the limits established in the Act.

2. Significant Accounting Policies

Expenditures are generally recorded on the accrual basis of accounting and conform to the amounts reported in the Statement of Revenues and Expenditures of the Government of Canada.

3. Spending Limit of the Fiscal Year

Pursuant to section 4 of the *Spending Control Act*, the spending limit for a fiscal year can be modified. In compliance with this section, the President of the Treasury Board may certify that a proposed increase in expenditures for a specific program is justified by reasons of good management. This situation applies only when an increase in expenditures results in an equivalent increase in revenues that would not otherwise occur. An increase in expenditures of \$69 million (\$72.6 million in 1994-95) was proposed pursuant to section 4.

4. Legislative Changes Affecting Reported Program Spending

In 1993, changes in legislation affected certain expenditures for employee pensions and the family allowances benefit program which were controlled under the *Spending Control Act*. The spending limits were not adjusted to reflect these legislative changes. Had the spending limits for 1996 and 1995 been adjusted downwards, there would have been underspending of approximately \$10,593 million in 1995-96 (\$1,177 million in 1994-95).

**OPINION OF THE AUDITOR GENERAL
ON THE
STATEMENT OF TRANSACTIONS OF THE
DEBT SERVICING AND REDUCTION ACCOUNT**

To the House of Commons

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1996. This financial statement is the responsibility of the Government. My responsibility is to express an opinion on this financial statement based on my audit, as required by section 9 of the *Debt Servicing and Reduction Account Act*.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1996 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada as set out in Note 2 of the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year.

Additional information and comments on the financial statement and this opinion are included in my observations at the end of this section.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 22, 1996

**Debt Servicing and Reduction Account
Statement of Transactions
for the Year Ended March 31, 1996**
(in thousands of dollars)

	1996	1995
Goods and services tax received	38,048,138	36,715,363
Less: Refunds	16,481,988	14,787,437
Rebates	1,531,333	1,447,419
GST paid by ministries	861,488	878,762
Quarterly tax credits	2,798,941	2,815,612
	21,673,750	19,929,230
Net goods and services tax	16,374,388	16,786,133
Penalties and interest received		
for goods and services tax	134,944	129,348
Gain on disposal of investments (Note 3)	325,000	
Gifts to the Crown	264	474
Proceeds credited to the Account	16,834,596	16,915,955
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 4)	35,291,501	31,369,738
Less amount in excess of the Account's balance ⁽¹⁾	18,456,905	14,453,783
	16,834,596	16,915,955
Account balance, end of year	NIL	NIL

The accompanying notes are an integral part of this statement.

⁽¹⁾ Public debt expenditures chargeable to the Account exceeded the amount available in the Account balance for these charges. Under these circumstances, only the amount necessary to bring the Account balance to nil is charged to the Account as required under section 6 of the *Debt Servicing and Reduction Account Act*.

Notes to the Statement of Transactions of the Debt Servicing and Reduction Account

1. Authority and Objective

On June 18, 1992, the *Debt Servicing and Reduction Account Act* received Royal Assent. Section 8 of the Act requires that the *Public Accounts of Canada* for the 1991-92 and each subsequent year contain a statement setting out the transactions in that year with respect to the Debt Servicing and Reduction Account.

The objective of the *Debt Servicing and Reduction Account Act* is to apply certain Government revenues against charges associated with the public debt. These revenues include goods and services tax (GST), certain gains on disposals of investments in Crown corporations, and gifts to the Crown. The transactions recorded in the Account have been paid into or charged against the Consolidated Revenue Fund, and the Account is consolidated in the summary financial statements of the Government.

2. Significant Accounting Policies

i. Goods and services tax (GST)

The Government generally reports the GST in the year in which it is received.

The GST refunds and rebates are allocated to the year in which they are paid. The GST quarterly tax credits are charged in the first month of the quarter to which they relate. GST rebates are reported net of GST collected by claimants.

ii. Other amounts credited to the Account

Gain on sale of shares in Crown corporations, gain on disposal of shares or interest on wind-up of Crown corporations and gifts to the Crown are reported in the year in which the transactions or events that give rise to these revenues occur.

iii. Public debt expenditures charged to the Account

Public debt expenditures include costs incurred by the Government during the year in servicing, issuing, repayment, discharge or settlement of a debt, under the authority of a *Borrowing Authority Act*.

3. Gain on Disposal of Investments

In 1995-96 the Government sold its total investment in the Canadian National Railway Company (CN) and has also sold a major portion of its investment in Petro-Canada.

The sale of CN, net of allowances of \$1,022 million charged to previous years' deficits resulted in a net gain of \$171 million. The sale of Petro-Canada, net of allowances of \$1,481 million charged to previous years' deficits resulted in a net gain of \$154 million.

4. Public Debt Expenditures Chargeable to the Account

Public debt expenditures chargeable to the Account are calculated as follows:

	(in thousands of dollars)	
	1996	1995
Public debt charges	46,905,395	42,045,877
<i>Less:</i> amounts unrelated to a		
<i>Borrowing Authority Act—</i>		
Interest on unmatured debt ⁽¹⁾	379,091	359,597
Interest on pension and other accounts	11,234,803	10,316,542
Public debt expenditures chargeable to the Account	35,291,501	31,369,738

⁽¹⁾ Interest on unmatured debt is related to special non-marketable bonds held by the Canada Pension Plan Investment Fund.

SUPPLEMENTARY INFORMATION

OBSERVATIONS BY THE AUDITOR GENERAL ON THE

FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA, THE STATEMENT REQUIRED UNDER THE SPENDING CONTROL ACT AND THE STATEMENT OF TRANSACTIONS OF THE DEBT SERVICING AND REDUCTION ACCOUNT

Introduction

In these observations, I report on a number of issues that relate to the Government's financial statements and my audit of them. Each part of the observations begins with a brief overview.

The first part of Section 1 of Public Accounts Volume I comprised the Financial Statements of the Government of Canada for the year ended March 31, 1996 and my audit opinion on them. The mandate for my audit of these statements is contained in section 6 of the *Auditor General Act*. Also included in the first part were two supplementary statements and my audit opinion on each: the Statement Required under the *Spending Control Act* and the Statement of Transactions of the Debt Servicing and Reduction Account. The mandate for my audit of these statements is contained, respectively, in section 8 of the *Spending Control Act* and in section 9 of the *Debt Servicing and Reduction Account Act*.

In this second part of Section 1, my observations, I report on the recording of transitional assistance for harmonizing the goods and services tax with provincial sales taxes. As well, I comment on specific accounting matters that require continuing attention in future years. I also explain in more detail the meaning of my audit opinions on the three sets of financial statements in this Section, how I arrived at the opinions and what they provide to users. Finally, in my concluding remarks, I discuss three key attributes of the financial statements: understandability, credibility and usefulness.

I believe that including these observations in the *Public Accounts of Canada* will help parliamentarians and other users to obtain a more complete understanding of the Government's financial statements and my audit of them.

Recording of Transitional Assistance for Harmonizing GST and PST

The inclusion of transitional assistance of \$961 million in the 1996 deficit and accumulated deficit represents a departure from both sound accounting practice and the Government's own accounting rules. In my opinion, the transitional assistance of \$961 million should be included in the deficit subsequent to the 1995-96 fiscal year. Failure to comply with generally accepted practices resulted in an overstatement of the annual deficit and accumulated deficit of \$961 million. Although this misstatement did not result in a reservation in my opinion on the financial statements because of the compensating effect of other factors, it constitutes a serious matter that I believe should be brought to Parliament's attention.

Background

In 1994, the Government began a series of discussions with provinces to streamline and simplify the operation of Canada's value-added tax system. The proposal was to harmonize the federal goods and services tax (GST) with provincial sales taxes (PST). In late March of 1996, the Government made a formal offer to the provinces of Newfoundland and Labrador, Nova Scotia and New Brunswick, to provide transitional assistance totalling \$961 million, payable when they entered into a detailed agreement with the Government to harmonize their PST with the GST. In early April, the three provinces agreed to continue negotiations and memoranda of understanding (MOUs) were signed. The MOUs called for agreements to be negotiated and in place within six months, for enabling legislation to be enacted by Parliament and each provincial legislature and for harmonization to commence on April 1, 1997. The amount of transitional assistance was based on a formula and officials advise that it is not subject to revision. As disclosed in Note 4(v), the transitional assistance of \$961 million has been recorded as a liability at March 31, 1996 and has been recorded as an expenditure and resultant increase in the deficit for the 1995-96 fiscal year.

At the time of writing these observations, negotiations were continuing between the three provinces and the Government. Matters outlined in the MOUs were still under discussion such as the definition of the common tax base, mechanisms to tax interprovincial transactions, and the appropriate number of provincial employees that would be employed by the Government to administer the harmonized taxes. In addition, although federal legislation to authorize the transitional assistance of \$961 million was tabled in Parliament on April 23, 1996 and received Royal Assent on June 20, 1996, enabling legislation for the three provinces had not been introduced in their respective legislatures.

Is the \$961 million transitional assistance a liability at March 31, 1996?

As stated in Note 1 to the financial statements, "*Financial obligations... are recorded as liabilities if the underlying event occurred prior to or at year end.*" Note 1 also states that "*Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement.*"

These accounting policies are consistent with generally accepted accounting practices for governments in Canada as enunciated by the Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Board (PSAAB). In this respect, PSAAB recommends: "*Government transfers should be recognized in a government's financial statements as expenditures... in the period that the events giving rise to the transfer occurred, as long as:*

- (a) the transfer is authorized;*
- (b) eligibility criteria, if any, have been met by the recipient; and*
- (c) a reasonable estimate of the amount can be made.*"

In the case of transitional assistance for the harmonization of GST and PST, I believe strongly that eligibility criteria had not been met by the three provinces by March 31, 1996 and that, accordingly, the \$961 million of compensation should not have been recorded in the accounts at that time. In my view, eligibility criteria will not be met until the agreements to harmonize are negotiated, signed and in place. Although the Government is committed to compensating the provinces once agreements are signed, the \$961 million is not payable until the agreements are signed.

Therefore, in accordance with its own accounting policies and the standards enunciated by PSAAB, the \$961 million in transitional assistance offered to the three provinces for harmonization of GST and PST is a commitment and not an amount payable or liability, at March 31, 1996. Generally accepted accounting practices for governments requires that commitments be reported in notes to financial statements but not charged to the accounts and included in the reported deficit. Similar rules apply in the business world.

Why have the Government and the Auditor General not resolved this issue?

I have listened carefully to the Government's rationale for recording this amount as a liability in 1995-96. On several occasions, I have met with the Comptroller General and the Deputy Minister of Finance to seek out solutions to the issue. In our meetings, these officials advised that the offers of transitional assistance came only after extensive negotiations with the three provinces during the fiscal year. Further, they advised that the MOUs were only sent to these provinces because they had agreed, prior to March 31, 1996, on all of the essential elements of harmonization as contained in the MOUs. Their view, therefore, is that the transitional assistance fully meets the criteria set out and that the Government should record this liability in the annual deficit and accumulated deficit.

As outlined in the preceding paragraphs, I have explained clearly why this rationale is inappropriate and I have supported my explanations with reference to the Government's own accounting policies, PSAAB's recommendations and comparable practice in the private sector. Despite these discussions, the Government has nonetheless decided to record the \$961 million as a liability and a charge to the deficit in these financial statements.

Why has the Auditor General not raised this issue in his opinion on the Government's 1995-96 financial statements?

As explained further on in these observations, my audit opinion contains my overall conclusions on several matters, including whether the statements present information fairly, in all material respects. By "material", I mean the probability that the aggregate of all misstatements would change or influence the decision of a person who was relying on the financial statements and who had reasonable knowledge of the Government and its activities.

The Government's 1995-96 deficit amounted to \$28.6 billion and its accumulated deficit at March 31, 1996 amounted to \$574 billion. After considering other factors that, in some cases, have the opposite impact on the deficit, I have concluded that these 1995-96 financial statements are not materially misstated. I have therefore not included this matter as a reservation in my opinion on those statements.

However, I have included this discussion in these observations because I firmly believe that one of my principal roles is to advocate the integrity of the process used to prepare the Government's financial statements. I believe that the current accounting for harmonization of GST and PST impairs the integrity of this process, and it is therefore incumbent on me to bring this to Parliament's attention.

Matters Requiring Continuing Attention

Accounting for employee pensions

Although the Government accounts for employee pensions in accordance with its stated accounting policies and related legislation, Government actuaries estimate the actuarial obligation for employee pensions at \$87 billion which is significantly lower than the \$108 billion liability shown in the Statement of Assets and Liabilities. This difference is growing from one year to the next, but could likely be reduced if the Government complied fully with generally accepted accounting practices enunciated by PSAAB. In my view, the Government should re-examine carefully its accounting for employee pensions in light of PSAAB's recommendations and the legislative requirements for operating its employee pensions.

As described in Note 7 to the financial statements, the actuarial obligation for the Government's employee pensions was estimated at \$87 billion at March 31, 1996 (\$82 billion at March 31, 1995). The employee pension liability reflected in the Government's Statement of Assets and Liabilities at March 31, 1996, was \$108 billion (\$101 billion at March 31, 1995). Under generally accepted accounting practices, it is not unusual for these amounts to be different, but this difference of \$21 billion (\$19 billion at March 31, 1995) is growing and will likely continue to grow under current economic conditions.

There are many reasons for this difference between the \$87 billion actuarial obligation and the \$108 billion liability reported in the Statement of Assets and Liabilities. One such reason is the way in which the pension interest expenditure is calculated. These are unfunded pensions, and pension interest must be calculated annually on the Government's obligations. For accounting purposes, the Government calculates this interest in compliance with the legislation governing the various employee pensions. The amount required by the legislation is higher than the interest calculated on the actuarial obligation.

As a consequence, a large difference emerges each year between the pension interest that accrues on the actuarial obligation, and the pension interest calculated in accordance with the relevant legislation. This is one reason for the annual growth in the difference between the actuarial obligation and the liability reported on the Statement of Assets and Liabilities. PSAAB recommends that for accounting purposes, pension interest should be calculated on the actuarial obligation. Over time, this method of accounting would reduce the \$21 billion difference between the actuarial obligation and the liability reported in the Statement of Assets and Liabilities.

I believe the Government should re-examine carefully its accounting for employee pensions in light of PSAAB's recommendations and the legislative requirements for operating its employee pensions. I have discussed my concerns with Government officials and they have advised me that they have commenced a full examination of the issue, as part of their overall examination of employee pension reform, on a priority basis.

Full accrual accounting for capital assets

Present accounting rules allow programs to be charged with the cost of capital assets only when acquired. The Government intends to introduce an accounting policy that would charge programs with the cost of capital assets when used. I support the move to better accounting for capital assets at the program level and I encourage compliance with generally accepted accounting practices when reporting them at the summary level.

As stated in Note 1 to the financial statements, “*The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.*” However, in his March 1996 Budget, the Minister of Finance announced the Government’s intention to change its accounting for capital assets, beginning the transition to full accrual accounting, starting in 1997-98. Under full accrual accounting, the costs of acquiring capital property are recorded as assets, and are charged to operations in any one year only to the extent that the assets were used in that year (or became obsolete). To illustrate, a \$100 million capital asset with a useful life of 10 years would be charged to operations (included in the deficit) at the rate of \$10 million per year over the next decade; under the Government’s present accounting rules, the full \$100 million cost of the asset is included in expenditures of the year in which it is acquired.

Recently, there have been two important developments related to the accounting for capital assets:

- During the year, the Treasury Board Secretariat issued a proposed policy on accounting for capital assets. It was developed by an interdepartmental committee chaired by the Secretariat and was circulated to all departments. Responses from departments on the proposed policy are currently being examined by the Secretariat.
- In June 1996, PSAAB approved for public comment an Exposure Draft that proposes how federal and provincial governments in Canada should account for and report tangible capital assets.

I believe that if the Government implements full accrual accounting for capital assets in an appropriate way, it will improve both management discipline within departments and accountability reporting by departments to Parliament. Last year I discussed several suggestions for the Government to consider in order to avoid the pitfalls that can accompany such a major change in accounting policy. I set these out below, together with how the Government is addressing them, given the two recent developments described above.

Full accrual accounting for capital assets should be implemented at the departmental level, not just at the summary level. The proposed policy on accounting for capital assets is directed to all departments and is not simply intended for summary level reporting purposes.

The Government’s appropriation process should be harmonized with full accrual accounting for capital assets. The Government is reviewing options of how this can be done.

Stringent rules for depreciating and valuing capital assets should be developed and implemented to avoid manipulation of reported results. The proposed policy on accounting for capital assets includes stringent policy requirements and guidelines that should guard against excessive use of judgment and the possibility of manipulation.

The potentially adverse behavioral aspects of accrual accounting for capital assets should be considered carefully and avoided. PSAAB’s exposure draft calls for a method of reporting that would avoid conclusions that the Government’s financial position will improve because additional assets appear in the Statement of Assets and Liabilities. Government officials advise that they will adopt the method of reporting recommended by PSAAB.

Certain of the Government's capital assets may require special consideration. The proposed policy on accounting for capital assets includes consideration of the concerns I raised last year and is generally consistent with PSaab's proposed treatment in this area.

In summary, I am encouraged by the Government's efforts in this area. I believe the Government should continue to follow PSaab's recommendations as they evolve.

Accrual accounting for tax revenue

Although the cash basis of reporting tax revenues is relatively simple, it may not provide a consistent display of revenues from one year to the next. For example, a speeding up of the processing of income tax refunds could significantly decrease reported tax revenues. As part of the process of moving towards accrual accounting as it applies to tax revenues, Government officials are in the process of updating the accounting systems and practices of Revenue Canada.

As stated in Note 1 to the financial statements, "The Government generally reports tax revenues in the period in which they are received." However, in the March 1996 Budget, the Minister of Finance indicated that the Government would begin the transition to accrual accounting starting in 1997-98. This would result in revenues and expenditures being recognized on accounting bases that are more comparable. It would also help avoid distortions in reported tax revenues resulting from such things as the speeding up of the processing of income tax refunds.

Full implementation of this change in accounting represents a significant challenge for the Government, as most systems at Revenue Canada are designed for a cash basis of accounting. Revenue Canada and the Treasury Board Secretariat are developing an accounting policy and a practical tax accrual methodology. Significant work still needs to be done, principally in refining the methodology and analyzing the results in a very short time period. Given the potentially extensive work needed to modify systems to provide accrual information, I would encourage the Government to take the time necessary to ensure the integrity and auditability of that information.

Accounting for environmental liabilities and contingencies

Environmental liabilities of the Government are likely quite significant. However, the Government has not recognized such liabilities in its financial statements because of uncertainties in defining and estimating them. In my view, steps can and should be taken now to provide a more complete picture of environmental liabilities and costs in the financial statements.

Last year, the Government took a significant step forward in strengthening disclosure by reporting potential environmental liabilities of \$2.8 billion in Note 16 (Note 15 in 1995-96). This amount was by no means a complete estimate of all the significant potential environmental liabilities of the Government at the end of the year. This amount and the format of Note 15 remain unchanged this year. I encourage the Government to continue its efforts to quantify at the earliest possible date the full extent of such potential liabilities. I also encourage the Government to begin developing an appropriate methodology for determining when these potential liabilities become actual liabilities that should be recorded in the Statement of Assets and Liabilities, rather than just being disclosed in the notes.

Last year, I proposed as an interim solution, that the Government should take additional steps to improve disclosure in this area. Specifically, I called for disclosure to assist readers of the financial statements in reaching a clearer understanding of the uncertainties inherent in the process of measuring environmental liabilities and contingencies. Note 15 states that "*The determination of these costs will be subject to and depend on evolving public policy, legislation, and results of the search for long-term cost-effective waste disposal solutions.*" Note disclosure should elaborate upon this statement, as well as provide information about the anticipated resolution of uncertainties.

I discussed five steps last year that I believed the Government should take to provide a more complete accounting and reporting of its environmental liabilities and contingencies over the longer term. I set these out below together with action the Government is taking to address them.

The Government should develop policies to define clearly what constitutes environmental matters and the liabilities (both potential and actual) that relate to these matters. In July 1995, the Contaminated Sites Management Working Group (CSMWG), comprising departmental representatives, was established to help develop a common federal approach to dealing with contaminated sites under federal custody. The Working Group has identified major topics to be addressed. In May 1996, a senior level sub-committee of the Environmental Accountability Partnership was created to address the task of developing common practices and approaches to dealing with contaminated sites.

The Government should prepare a complete inventory of areas of federal responsibility, where there are obligations to make significant future expenditures to clean up environmental damage. Progress toward this goal is being made in government departments, although some departments are more advanced than others.

The extent to which the Government, the provinces, or the private sector or some combination of the three bears responsibility for the cost of environmental clean-up in these areas should be determined. This will need to be resolved once a complete inventory has been prepared and sooner on priority clean-ups.

Methodology should be developed to determine when potential environmental liabilities become actual liabilities. The Government has made little progress in the last year.

Accounting and reporting policies should be developed to provide for enhanced note disclosure of environmental contingencies and the recording of environmental liabilities that have become actual liabilities. The Government has made little progress in the last year. However, the Government has acknowledged in its proposed policy on accounting for capital assets, that departments will have to account for environmental liabilities in the implementation of the policy.

In 1996, my Office has been working on an audit and its report chapter entitled, "Federal Contaminated Sites: Management Information on Environmental Costs and Liabilities". The report chapter on the results of this audit, to be released in November 1996, will look at the environmental policies and practices of departments with moderate to high environmental risk. The chapter will comment further on the progress being made by the Government in the environmental area.

In its March 1996 Budget, the Government stated that it is in the process of developing a policy with regard to its environmental liabilities. I will continue to monitor and comment on the Government's progress in this area in future years.

Enterprise Crown corporations

The Government has announced its intention to adopt PSAAB's recommendations that require profits or losses reported by enterprise corporations during any one year to be automatically included in the deficit of that year.

I was pleased to see the Government's commitment in the March 1996 Budget to consider adopting PSAAB's recommendations. This will overcome a significant and long-standing departure from generally accepted accounting practices for governments. It will also eliminate the need for the stop-gap approach used in recent years to include corporate profits or losses in the deficit.

My Audit Opinions:

What They Mean, How I Arrived at Them, and What They Provide

It is important to realize that, in giving my opinions on the financial statements in this Section, I am not guaranteeing their absolute accuracy. What I am saying, however, is that the financial statements, taken as a whole, do not contain material (significant) misstatements. Readers are therefore entitled to conclude that the deficit is \$28.6 billion as shown, plus or minus reasonable tolerances.

What my audit opinions mean

This section of my observations discusses in more detail the messages that I convey through my audit opinions. To understand those opinions properly, the reader should review carefully each paragraph, each year. It is inadvisable to assume that my opinions remain the same from one year to the next. Each of the audit opinions consists of three paragraphs:

The introductory paragraph. The introductory paragraph begins by listing the financial statements covered by my opinions. It is important to note that my audit opinions relate only to the financial statements and related notes contained in Section 1 of Volume I of the *Public Accounts of Canada*. They do not extend to the more detailed information presented in other sections of Volume I, or to Volume II.

The introductory paragraph concludes by confirming that the financial statements are the responsibility of the Government, and that my responsibility is to form an opinion on the financial statements.

The scope paragraph. In this paragraph, I state that my audit work on the Government's financial statements has been conducted according to generally accepted auditing standards. These standards are prescribed by the Canadian Institute of Chartered Accountants, and I use them to ensure that my audit is conducted with appropriate rigor and professionalism.

In the scope paragraph, I also indicate that I perform my audit procedures to assess whether the financial statements are free of material misstatement. I discuss the concept of materiality below.

Further, I also explain that my audit includes assessing the reasonableness of significant estimates made by the Government. There is a good deal of judgment required in preparing and auditing summary financial statements for an entity the size of the Government of Canada. Many of the significant amounts reported in the financial statements, such as allowances for valuation of various assets and liabilities, are based on estimates made by the Government. These amounts are inherently imprecise. When considering whether misstatements exist in them, I determine for each a range of values that I believe would be reasonable. If the balance of the account as determined by the Government falls within my range, I conclude that the specific estimate is not misstated.

Finally, I make reference in the scope paragraph to the fact that an audit also includes assessing the appropriateness of the accounting policies used by the Government and evaluating the overall presentation of the financial statements. To make this assessment, there must be standards against which my judgments can be made. The standards that I continued to use this year were the Government's own stated accounting policies, pertinent legislation and certain recommendations of PSAAB.

The opinion paragraph. It is important to note that my opinions are not statements of fact; rather, they are expressions of my professional judgment. The opinion paragraph contains my overall conclusions about several important matters. For the financial statements of the Government of Canada, these matters are:

- whether the statements present information fairly in all material respects;
- whether the statements were prepared in accordance with the Government's stated accounting policies; and
- whether the stated accounting policies were applied on the same basis as in the preceding year.

For the Statement Required under the *Spending Control Act* and the Statement of Transactions of the Debt Servicing and Reduction Account, my conclusions also relate to an additional matter: whether the statements present information in accordance with the Acts that create them.

How I arrive at my opinions

With all of this in mind, if I conclude that, in the aggregate, the financial statements are free of material misstatement, I report that information is "presented fairly". If I conclude that the statements are materially misstated, I report that they do not present fairly and add supporting reservations to explain why.

The aggregate of all misstatements in the financial statements is considered material if, in the light of surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on the financial statements and who had reasonable knowledge of the Government and its activities. I will include a reservation in my audit opinion if I believe that the aggregate of all the misstatements in the financial statements would mislead the users relying on them. As I mentioned earlier, the Government decided to include in its 1995-96 results a liability relating to the harmonization of GST with PST. Although this was not in accordance with the Government's own stated accounting policies, when considered together with other compensating misstatements, I was able to conclude that the statements as a whole were presented fairly.

In addition, in all of my audit work on these financial statements I also take into account the basic requirement that the Government comply with parliamentary authorities to spend, borrow and raise revenues.

Before commencing my audits, I consider the dollar magnitude (materiality) of misstatements in the financial statements that I believe would influence the decisions of users. This dollar amount is then used in determining the nature, extent and timing of the audit work required. I base this amount on the total expenditures of the Government. For this year's audit of the three sets of financial statements, I have set materiality at slightly more than one half of one percent of total gross expenditures of \$171 billion.

In my audit opinions, I do not say that the financial statements are "correct". The nature and extent of my audit work cannot be designed in any reasonable way to reach such a conclusion. The size and complexity of the Government make it impractical for me to examine all or even most of the individual transactions entered into during the year.

To be in a position to render my audit opinions, generally accepted auditing standards require that I have "reasonable assurance" that my audits will reveal misstatements aggregating to more than the predetermined materiality levels. In planning my audits, I accept some small amount of risk that my audit procedures will not provide absolute assurance that the financial statements are not materially misstated. I accept this minimal risk because it is cost-effective to do so. However, in conducting my audits, I have performed specific audit procedures that reduce this risk to a level that I consider acceptable. These include, for example, testing a sample of transactions and account balances, performing analyses, confirming year-end balances with third parties and, where considered necessary, reviewing significant internal controls.

What my audits provide

In describing what my audit opinions provide to readers, it is important to highlight what the opinions do not do. My audit opinions do not address the issue of economical, efficient and effective use of resources by the Government. That is something we do separately from our audit of the Government's financial statements.

In addition, my audits of the Government's financial statements were neither extensive enough nor specifically designed to provide assurance on the integrity of each of the Government's many and varied systems of internal control and compliance with spending limits in each of the Government's several hundred individual appropriations. However, additional work in each of these areas is conducted by my Office on a cyclical basis in departments and agencies. I consider all of this work in developing my opinions on the Government's financial statements. If issues are identified that I believe are significant to the users of the financial statements, I will mention them in my opinions or in these observations. Although some serious issues of internal control and compliance with authority were identified, none of these require mention in the context of my opinions on the financial statements or in these observations. Those results of my work are included in my periodic and annual reports to the House of Commons.

Conclusion

I continue to believe strongly that the Government's financial statements must be credible, understandable and useful. A continuing challenge for the Government is to maintain the credibility of the summary numbers to ensure that they are useful to members of Parliament as they develop proposals to reshape Government in this era of fiscal restraint.

For many years, I have stressed the importance of credible and understandable summary financial statements. As a legislative auditor, I consider my role in ensuring the credibility and understandability of the Government's financial statements to be one of the most important parts of my mandate. But I am also concerned about whether the information I audit is actually useful to Parliament, to the Government and to Canadians as they consider how best to reshape Government in this era of fiscal restraint.

By credible, I mean that the information portrayed in financial statements should reflect financial realities through the consistent application of generally accepted accounting practices for governments as enunciated by PSAAB. As described in these observations, my audit has been designed to ensure that the Government's financial statements reflect financial realities and, in all material respects, the financial statements presented in this section do.

By understandable, I mean that the Government's financial reports should be concise, succinct and crafted in a way that Canadians can understand. The understandability of the financial statements in this Section has improved significantly over the years. In addition, the Government's Annual Financial Report, introduced for the first time in 1993-94, summarizes in a concise and readable form condensed financial information about the Government's overall financial situation.

Since becoming Auditor General of Canada, I have made it a practice to come back on a continuous basis to the theme of the usefulness of the Government's summary numbers. The financial statements in this Section, and the Annual Financial Report, are the starting point of that process. They provide audited and thus credible information on the total stock of liabilities, financial assets, revenue and expenditure flows, the sources and uses of cash, commitments and potential liabilities flowing from existing contingent situations. All of this information should be presented in a manner that is understandable to, and facilitates careful consideration by, members of Parliament and others who are charged with the task of developing proposals to reshape Government as part of the Budget consultation process.

In chapter 9 of my October 1995 Report, I discussed how the Government's summary numbers can be used to understand more clearly the significant implications and choices that Canadians face with respect to the Government's massive accumulated debt. In March 1996, the Standing Committee on Public Accounts met to review the 1994-95 audited financial statements. I am sure that members of the Committee found the discussion valuable in enhancing their understanding of the Government's summary numbers. I am hopeful that such a review will continue on a regular basis.

In summary, we are indeed fortunate to have credible financial statements of the Government that, overall, are presented in a highly understandable form and that are starting to be used to help make the difficult choices we face. A continuing challenge for the Government will be to maintain the credibility of the summary numbers so that they will continue to be used in this important way.

SECTION 2

1995-96

PUBLIC ACCOUNTS OF CANADA

Supplementary Financial Information

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SUPPLEMENTARY FINANCIAL INFORMATION

Introduction

This section provides a ten year comparative summary of the Government's financial transactions, both on the public accounts basis and on the national accounts basis. The public accounts presentation reflects the accounting policies explained in Note 1 to the audited financial statements in Section 1 of this volume. The national accounts presentation is designed primarily to facilitate economic analysis of the federal Government sector on a basis consistent with that used in measuring income and expenditure flows in the economy.

TABLE 2.1
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
SUMMARY STATEMENT OF TRANSACTIONS⁽¹⁾
 (in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Budgetary transactions										
Revenues	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301
Expenditures	-116,673	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785	-158,918
Deficit for the year	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462	-28,617
Non-budgetary transactions										
Loans, investments and advances	1,335	1,127	897	995	291	-233	592	581	-65	2,668
Pension and other accounts	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646
Other transactions	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026	1,120
Net source	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434
Financial requirements (excluding foreign exchange transactions) ⁽³⁾	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842	-17,183
Net source from foreign exchange transactions ⁽²⁾	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828	-4,816
Total financial requirements ⁽³⁾	-29,308	-25,998	-28,154	-21,227	-29,433	-30,859	-26,784	-26,719	-21,014	-21,999
Net source from unmatured debt transactions ⁽²⁾	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975	20,770	28,661
Change in cash in bank ⁽⁴⁾	-126	-3,085	300	-321	1,057	-1,795	2,107	-744	-244	6,662
Cash in bank at beginning of year	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893
Cash in bank at end of year	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555

Details can be found in other sections of this volume.

⁽¹⁾ Consistent with the Statement of Transactions in Section 1 of this volume.

⁽²⁾ The change in unmatured debt payable in foreign currencies, -\$112 million in 1996 (\$6,253 million in 1995), has been included as part of foreign exchange transactions.

⁽³⁾ Cash requirements (-)

⁽⁴⁾ Cash decrease (-)

Public accounts presentation

The "Summary Statement of Transactions" (Table 2.1) provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

TABLE 2.2**GOVERNMENT OF CANADA****PUBLIC ACCOUNTS PRESENTATION****DETAILED STATEMENT OF REVENUE TRANSACTIONS**

(in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Tax revenues—										
Income tax—										
Personal	37,878	45,125	46,026	51,895	57,601	61,222	58,283	51,427	56,329	60,167
Corporation.....	9,885	10,878	11,730	13,021	11,726	9,359	7,206	9,444	11,604	15,955
Other income tax revenues.....	1,499	1,369	1,843	1,587	1,651	1,534	1,462	1,593	1,769	2,105
	49,262	57,372	59,599	66,503	70,978	72,115	66,951	62,464	69,702	78,227
Unemployment insurance premiums	9,558	10,425	11,268	10,738	12,707	15,394	17,535	18,233	18,928	18,510
Excise taxes and duties—										
Goods and services tax										
Energy taxes	1,965	2,603	2,646	2,471	3,192	3,441	3,437	3,640	3,824	4,404
Customs import duties	4,187	4,385	4,521	4,587	4,001	3,999	3,811	3,652	3,575	2,969
Other excise taxes and duties.....	14,897	15,953	18,604	21,097	16,346	2,588	3,964	3,647	2,904	2,856
	21,049	22,941	25,771	28,155	26,113	25,196	26,080	26,635	27,089	26,604
Total tax revenues	79,869	90,738	96,638	105,396	109,798	112,705	110,566	107,332	115,719	123,341
Non-tax revenues—										
Return on investments—										
Bank of Canada	1,971	1,871	1,938	2,239	2,809	1,844	1,806	1,452	1,571	1,841
Canada Mortgage and Housing Corporation.....	866	853	845	822	772	753	800	719	706	680
Farm Credit Corporation	354	326	301	239	230	215	226	211	199	208
Exchange Fund Account	366	752	1,658	1,661	2,258	2,900	3,209	2,916	1,816	1,138
Interest on bank deposits	219	279	256	278	285	192	169	128	155	370
Other return on investments.....	479	656	549	611	453	617	628	716	574	238
	4,255	4,737	5,547	5,850	6,807	6,521	6,838	6,142	5,021	4,475
Other non-tax revenues	1,807	2,137	1,882	2,461	2,748	2,806	2,976	2,510	2,583	2,485
Total non-tax revenues	6,062	6,874	7,429	8,311	9,555	9,327	9,814	8,652	7,604	6,960
Total net revenues	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301

TABLE 2.3
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
DETAILED STATEMENT OF EXPENDITURE TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Transfer payments—										
Old age security benefits, guaranteed income supplement and spouse's allowance	13,445	14,349	15,202	16,154	17,131	18,393	19,106	19,903	20,511	21,034
Unemployment insurance benefits	10,444	10,487	10,972	11,694	14,665	18,126	19,065	17,626	14,815	13,476
Fiscal arrangements	6,302	7,007	8,127	8,653	8,280	8,854	7,591	9,045	7,674	8,210
Insurance and medical care	6,607	6,558	6,678	6,663	6,033	6,689	8,307	7,232	7,691	7,115
Canada Assistance Plan	4,051	4,246	4,556	5,006	5,788	6,099	6,686	7,236	7,266	7,191
Education support	2,232	2,242	2,227	2,166	1,862	2,142	2,887	2,378	2,486	2,365
Family allowances and Child tax benefits ⁽¹⁾	2,534	2,564	2,606	2,653	2,736	2,821	2,194	7		
Other transfer payments	15,291	17,436	17,535	17,139	16,607	18,829	19,624	19,941	21,597	19,747
Total transfer payments	60,906	64,889	67,903	70,128	73,102	81,953	85,460	83,368	82,040	79,138
Crown corporation expenditures	4,936	5,872	4,772	5,237	5,713	5,252	6,219	5,298	5,003	4,321
Other program expenditures—										
National Defence	9,695	10,337	10,700	11,249	11,518	10,901	10,939	11,282	10,693	9,935
All other departments and agencies	14,468	15,355	16,313	17,234	18,432	17,109	19,958	20,066	21,003	18,619
Total other program expenditures	24,163	25,692	27,013	28,483	29,950	28,010	30,897	31,348	31,696	28,554
Total program expenditures	90,005	96,453	99,688	103,848	108,765	115,215	122,576	120,014	118,739	112,013
Public debt charges	26,668	28,953	33,152	38,789	42,588	41,174	38,825	37,982	42,046	46,905
Total net expenditures	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785	158,918

⁽¹⁾ The Child Tax Benefit Program was introduced in January 1993 to replace the Child Tax Credits and the Family Allowance Program.

TABLE 2.4
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
STATEMENT OF ACCUMULATED DEFICIT
(in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Accumulated deficit—Beginning of year	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672
Deficit for the year	30,742	27,794	28,773	28,930	32,000	34,357	41,021	42,012	37,462	28,617
Accumulated deficit—End of year	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289

TABLE 2.5
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
STATEMENT OF ASSETS AND LIABILITIES
(in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
LIABILITIES										
CURRENT LIABILITIES AND ALLOWANCES—										
Accounts payable and accrued liabilities	7,486	9,441	10,113	11,348	11,192	11,297	10,832	14,646	18,390	19,276
Interest and matured debt	8,583	9,043	6,549	5,683	5,489	6,576	5,866	6,465	4,831	7,403
Allowance for employee benefits	2,350	2,500	4,300	4,200	3,950	3,050	3,285	3,555	3,910	4,290
Allowance for loan guarantees and borrowings of Crown corporations	2,655	3,320	3,615	4,000	4,170	4,020	4,555	4,930	5,540	5,440
Total current liabilities and allowances.....	21,074	24,304	24,577	25,231	24,801	24,943	24,538	29,596	32,671	36,409
INTEREST-BEARING DEBT—										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	94,416	103,748	115,732	127,532	143,485	158,051	178,412	203,392	225,679	252,700
Treasury bills	76,950	81,050	102,700	118,550	139,150	152,300	162,050	166,000	164,450	166,100
Canada saving bonds	43,452	52,237	46,544	39,733	33,250	34,589	33,365	30,418	30,460	30,460
Bonds for Canada Pension Plan	1,796	2,492	3,005	3,072	3,492	3,501	3,505	3,497	3,488	3,478
Payable in foreign currencies	216,614	239,527	267,981	288,887	319,377	348,441	377,332	403,307	424,077	452,738
	11,997	11,282	8,320	5,675	4,526	3,444	5,409	10,668	16,921	16,809
	228,611	250,809	276,301	294,562	323,903	351,885	382,741	413,975	440,998	469,547
Pension and other accounts—										
Public sector pensions	51,992	57,417	63,241	69,626	76,139	81,881	87,911	94,097	101,033	107,882
Canada Pension Plan	1,978	2,284	2,540	2,962	3,459	3,181	2,839	2,728	3,406	3,636
Other	3,453	3,438	2,975	2,954	2,974	3,234	3,543	3,710	4,755	5,322
	57,423	63,139	68,756	75,542	82,572	88,296	94,293	100,535	109,194	116,840
Total interest-bearing debt.....	286,034	313,948	345,057	370,104	406,475	440,181	477,034	514,510	550,192	586,387
TOTAL LIABILITIES	307,108	338,252	369,634	395,335	431,276	465,124	501,572	544,106	582,863	622,796
ASSETS										
CURRENT ASSETS—										
Cash in bank	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555
Cash in transit	1,468	2,322	2,087	2,035	2,196	2,902	2,931	3,313	3,241	4,189
	6,086	3,855	3,920	3,547	4,765	3,676	5,812	5,450	5,134	12,744
Less outstanding cheques and warrants	2,870	2,723	2,369	2,546	4,022	2,695	3,228	4,015	3,751	3,700
Total cash	3,216	1,132	1,551	1,001	743	981	2,584	1,435	1,383	9,044
Accounts receivable	1,711	1,838	2,157	2,421	3,165	4,208	4,372	4,496	4,353	5,972
Total current assets.....	4,927	2,970	3,708	3,422	3,908	5,189	6,956	5,931	5,736	15,016
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	8,212	14,779	17,422	15,393	19,066	17,148	10,879	13,156	14,356	18,908
International Monetary Fund—Subscriptions	4,936	5,038	4,534	4,474	4,565	4,797	7,599	8,443	9,433	8,580
Less International Monetary Fund—Notes payable and special drawing rights allocations	5,580	5,815	5,186	5,045	5,063	5,400	7,681	8,674	9,439	8,434
Total net foreign exchange accounts.....	7,568	14,002	16,770	14,822	18,568	16,545	10,797	12,925	14,350	19,054
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations	20,422	18,972	18,238	17,678	17,428	18,150	19,543	19,283	18,218	14,663
Joint and mixed enterprises	5,283	4,964	4,928	4,461	4,461	4,461	4,374	4,374	4,374	1,300
National governments including developing countries	4,404	4,323	4,191	3,495	3,476	3,535	3,382	3,434	3,282	3,221
International organizations (net of notes)	2,705	2,690	2,714	2,784	2,821	2,926	3,124	3,360	3,545	3,660
Provincial and territorial governments	948	911	883	1,023	937	819	1,086	1,111	876	709
Other	1,270	1,363	1,781	1,744	1,832	1,918	1,417	1,478	1,710	2,154
	35,032	33,223	32,735	31,185	30,955	31,809	32,926	33,040	32,005	25,707
Less allowance for valuation	13,742	13,060	13,469	12,914	12,975	13,596	15,305	16,000	14,900	11,270
Total loans, investments and advances.....	21,290	20,163	19,266	18,271	17,980	18,213	17,621	17,040	17,105	14,437
TOTAL ASSETS	33,785	37,135	39,744	36,515	40,456	39,947	35,374	35,896	37,191	48,507
ACCUMULATED DEFICIT.....	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289

TABLE 2.6
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Loans, investments and advances—										
Enterprise Crown corporations—										
Canada Deposit Insurance Corporation.....	-268	-131	-361	320	150	-560	-1,300	-66	991	533
Canada Mortgage and Housing Corporation.....	254	234	273	201	194	65	238	105	240	571
Canadian National Railway System	352	29	12	12	13	15	16	17	19	2,360
Export Development Corporation	49	55	25	-75	-16			-25	-38	-132
Farm Credit Corporation	591	-179	230	104	-82	-159	71	-68	-35	214
Business Development Bank of Canada.....	93	51				-10				-50
Other.....	-241	1,391	555	-2	-9	-73	-412	297	-112	59
	830	1,450	734	560	250	-722	-1,387	260	1,065	3,555
Other loans, investments and advances—										
Joint and mixed enterprises	237	319	36	362			88			3,074
National governments including developing countries...	124	81	132	696	19	-59	152	-52	152	61
International organizations (net of notes)	46	15	-24	-70	-37	-105	-197	-236	-185	-116
Provincial and territorial governments	89	37	28	-140	86	118	-268	-25	235	167
Other.....	60	-93	-418	142	-88	-86	495	-61	-232	-443
	556	359	-246	990	-20	-132	270	-374	-30	2,743
Total loans, investments and advances	1,386	1,809	488	1,550	230	-854	-1,117	-114	1,035	6,298
Allowance for valuation	-51	-682	409	-555	61	621	1,709	695	-1,100	-3,630
Total loans, investments and advances after allowance for valuation.....	1,335	1,127	897	995	291	-233	592	581	-65	2,668
Pension and other accounts—										
Public sector pensions (net)	4,998	5,425	5,825	6,385	6,511	5,742	6,030	6,186	6,936	6,849
Canada Pension Plan (net)	205	306	256	422	497	-278	-342	-111	678	230
Other.....	68	-15	-464	-21	22	260	309	167	1,045	567
	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646
Other transactions—										
Cash in transit.....	225	-854	235	52	-161	-706	-29	-382	72	-948
Outstanding cheques and warrants	-64	-147	-354	177	1,476	-1,327	533	787	-264	-51
Accounts receivable.....	-121	-127	-319	-264	-744	-1,043	239	27	-412	-1,619
Provincial and territorial tax collection agreements account	57	1,050	-731	-368	-813	-241	-747	-151	870	1,058
Other liabilities	1,121	2,180	1,004	1,022	383	383	-61	5,058	2,760	2,680
Total other transactions.....	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026	1,120
Net non-budgetary transactions after allowance for valuation.....										
	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434

Source/requirement (-)

TABLE 2.7**GOVERNMENT OF CANADA****PUBLIC ACCOUNTS PRESENTATION****DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS
(in millions of dollars)**

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Foreign exchange transactions—										
International reserves held in the Exchange Fund										
Account	-4,753	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277	-1,200	-4,552
International Monetary Fund—Subscriptions	-266	-102	504	60	-91	-232	-2,802	-844	-990	853
Less International Monetary Fund—Notes payable	-5,019	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121	-2,190	-3,699
Special drawing rights allocations	-359	-208	495	126	5	-275	-2,181	-841	-586	851
Unmatured debt transactions payable in foreign currencies	-70	-27	134	15	-23	-62	-100	-152	-179	154
Total foreign exchange transactions	-429	-235	629	141	-18	-337	-2,281	-993	-765	1,005
Unmatured debt transactions payable in foreign currencies	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253	-112
Total foreign exchange transactions	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828	-4,816
Unmatured debt transactions—										
Marketable bonds	13,512	9,787	10,951	10,575	15,404	14,499	19,781	27,142	25,142	28,660
Treasury bills	15,000	4,100	21,650	15,850	20,600	13,150	9,750	3,950	-1,550	1,650
Canada savings bonds	-703	8,786	-5,693	-6,812	-6,482	1,339	-1,224	-2,947	43	
Bonds for the Canada Pension Plan	1,351	696	513	67	420	9	4	-8	-9	-10
Canada Notes and loans	-2,823	-1,171	-20,015	-1,734	-163	-7	-7			310
Canada bills	1,045		86	315	-438	-1,008	2,552	3,097	3,397	-2,061
Total unmatured debt transactions payable in Canadian currency	27,382	22,198	25,492	18,261	29,341	27,982	30,856	31,234	27,023	28,549
Less unmatured debt transactions payable in foreign currencies	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253	-112
Total unmatured debt transactions payable in Canadian currency	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975	20,770	28,661
Cash in bank at end of year—										
In Canadian currency	4,479	1,381	1,708	1,369	2,459	677	2,774	2,032	1,817	8,479
In foreign currencies	139	152	125	143	110	97	107	105	76	76
Total cash in bank	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555

Source/requirement (-)

National accounts presentation

The national income and expenditure accounts were developed as a basis for economic analysis of income and expenditure flows in the economy. The concepts and definitions applied to the Government sector are consistent with those applied to other sectors and follow international practices developed under the aegis of the United Nations. The economic nature of a transaction is the determining factor in its classification within the national accounts framework.

TABLE 2.8

**GOVERNMENT OF CANADA
NATIONAL ACCOUNTS PRESENTATION
DETAILED STATEMENT OF REVENUE AND EXPENDITURE TRANSACTIONS
(in millions of dollars)**

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
National accounts transactions⁽¹⁾										
Revenues—										
Direct taxes—										
Persons	50,110	56,688	58,872	65,351	74,742	79,671	79,965	76,058	82,704	86,658
Corporations	10,357	11,968	12,503	12,409	11,215	10,220	10,103	10,143	13,022	13,594
Non-residents	1,448	1,418	1,808	1,421	1,589	1,617	1,493	1,685	1,662	1,714
Indirect taxes	61,915	70,074	73,183	79,181	87,546	91,508	91,561	87,886	97,388	101,966
Other current transfers from persons	21,812	24,254	26,362	29,348	26,271	30,963	30,556	30,614	30,142	30,462
Investment income	23	25	28	32	36	44	68	48	20	20
Capital consumption allowances	8,067	9,023	10,406	11,458	12,553	12,834	12,763	12,465	13,582	14,929
Total revenues	93,120	104,730	111,431	121,557	127,991	136,906	136,518	132,655	142,870	149,126
Expenditures—										
Current goods and services—										
Defence	9,505	10,226	10,618	11,069	11,736	11,682	11,879	11,890	11,849	11,185
Non-defence	14,600	14,803	15,612	17,460	18,724	20,190	20,435	20,701	21,259	21,301
Transfer payments to persons	24,105	25,029	26,230	28,529	30,460	31,872	32,314	32,591	33,108	32,486
Subsidies	33,570	34,799	36,419	38,916	43,907	51,364	54,187	56,566	54,981	54,215
Capital assistance	5,405	6,347	5,583	4,907	5,350	7,067	4,883	4,207	4,073	3,466
Current transfers to non-residents	2,414	1,792	1,561	1,572	1,565	1,261	1,124	1,063	1,236	1,542
Interest on the public debt	1,904	2,262	2,471	2,954	2,332	2,722	2,711	2,312	2,343	2,184
Transfers to provinces	26,385	28,680	32,885	38,570	42,656	41,011	38,450	38,649	41,964	46,794
Transfers to local governments	20,959	22,781	23,953	25,226	25,971	27,060	30,266	28,289	29,739	30,383
Gross capital formation	523	653	702	885	913	875	1,118	1,327	1,288	1,374
Total expenditures	117,209	124,240	132,023	143,810	155,407	165,608	167,578	167,732	171,430	174,873
Deficit	-24,089	-19,510	-20,592	-22,253	-27,416	-28,702	-31,060	-35,077	-28,560	-25,747

⁽¹⁾ These "National accounts transactions" are consistent with those released by Statistics Canada on August 31, 1996.

Public accounts and national accounts reconciliation

The reconciliation of transactions between the public accounts and national accounts is set out in the table that follows. The major factors which give rise to the need for a reconciliation are listed below.

The deficits of Government business enterprises which are outside the Government accounting entity are, for public accounts presentation purposes, met through budgetary appropriations and are thus recorded as budgetary expenditures. In the national accounts presentation, these deficits are netted against Government investment income.

Revenues in the public accounts are generally recorded on a cash basis with the exception of non-tax revenues. While the major portion of national accounts revenues are accounted for on a cash basis, certain items, such as corporate income taxes and the oil export charges, are reported on an accrual basis. This difference also results in a different treatment of the acceleration of source deductions and sales and excise taxes by large firms.

Transactions of employee pension accounts are treated as non-budgetary in the public accounts, although the Government's contributions to, and interest payments on, these accounts are included in expenditures. Employer and employee contributions to these accounts, plus any related interest income, form part of Government revenues in the national accounts presentation, and pension payments form part of Government expenditures.

In the public accounts presentation, the purchase of capital assets such as buildings and machinery is recorded as budgetary expenditures in the year of acquisition. Only newly produced capital assets and capital expenditures are included in national accounts expenditures. The national accounts also ignore the sale of capital assets as such sales are not deemed to give rise to production. Both Government revenues and expenditures include an allowance for the depreciation of capital assets in the national accounts termed "Capital consumption allowances". This item is not a part of public accounts reporting. Both the public accounts and the national accounts include the financial activities of the consolidated Crown corporations. However, the inclusions are not identical.

TABLE 2.9

GOVERNMENT OF CANADA
PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION
 (in millions of dollars)

	Year ended March 31									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Budgetary revenues—Public accounts	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301
Reconciling items—										
Government pension receipts	6,548	7,176	7,756	8,523	9,441	10,926	11,133	11,767	12,463	13,064
Corporate income tax—Excess of accruals over receipts	-58	1,428	773	-612	-511	861	2,897	699	1,418	-2,361
Capital consumption allowances	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,642	1,738	1,749
Petroleum compensation charge ⁽¹⁾				-1	3					
Non-tax revenues ⁽²⁾	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,662	-1,662
Deficits of Government business enterprises	-938	-937	-907	-991	-849	-806	-792	-773	-550	-621
Goods and services tax					1,198	2,620	3,114	2,814	2,310	3,084
Child tax credit ⁽⁶⁾							1,312	5,240	5,286	5,224
Miscellaneous ⁽³⁾	1,302	-643	-520	708	-953	1,007	-1,556	-3,226	-1,456	348
Total revenues—National accounts	93,120	104,730	111,431	121,557	127,991	136,906	136,518	132,655	142,870	149,126
Budgetary expenditures—Public accounts	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785	158,918
Reconciling items—										
Government pension payments	1,437	1,600	1,801	1,978	2,073	2,489	3,782	4,052	4,287	4,416
Net expenditures of funds and agencies ⁽⁴⁾	1,568	1,555	1,336	1,661	1,153	1,314	1,284	1,026	1,036	768
Capital consumption allowances	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,642	1,738	1,749
Petroleum compensation program ⁽⁵⁾	6	60								
Non-tax revenues ⁽²⁾	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,662	-1,662
Deficits of Government business enterprises	-938	-937	-907	-991	-849	-806	-792	-773	-550	-621
Budgetary transfers to funds and agencies	-1,213	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-1,066	-1,576	-1,571
Goods and services tax—Transfers and subsidies						725	3,176	2,574	2,698	2,884
Child tax benefits ⁽⁶⁾								1,312	5,240	5,286
Miscellaneous ⁽⁷⁾	-659	-2,202	-1,974	-433	1,706	4,003	-944	-1,591	-798	4,870
Total expenditures—National accounts	117,209	124,240	132,023	143,810	155,407	165,608	167,578	167,732	171,430	174,873

⁽¹⁾ In the public accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditures. Gross revenues and payments are recorded in the national accounts.

⁽²⁾ Various items of non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenues in the public accounts, are netted to expenditures in the national accounts.

⁽³⁾ Major items under miscellaneous include adjustments for proceeds from the sale of used capital assets, air transportation tax, imputed items, the treatment of revenues in the supplementary accounting period after March 31, and the treatment of the acceleration of source deductions and sales and excise taxes by large firms.

⁽⁴⁾ In the national accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

⁽⁵⁾ This item represents the difference between the gross payments recorded on the national accounts basis and net payments recorded on the public accounts basis.

⁽⁶⁾ In the public accounts, the child tax credit is netted against the personal income tax. In the national accounts, the fiscal incidence is shown; the benefit is presented as a transfer to persons and its counterpart is included in the Revenues—Direct taxes—Persons.

⁽⁷⁾ Major items under miscellaneous include adjustments for reserves and write-offs, provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, the treatment of expenditures and for all items in the reconciliation in the supplementary accounting period after March 31.

SECTION 3

1995-96

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenditures and Accumulated Deficit

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REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenditures and accumulated deficit of the Government as summarized in Table 3.1.

TABLE 3.1

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT (in millions of dollars)

	1995-96		1994-95	
	Gross	Net	Gross	Net
Revenues—				
Tax revenues	131,851	123,341	124,471	115,719
Non-tax revenues	10,659	6,960	10,608	7,604
Total revenues, Table 3.2	142,510	130,301	135,079	123,323
Expenditures—				
Transfer payments	86,965	79,138	90,203	82,040
Crown corporation expenditures	6,040	4,321	5,741	5,003
Other program expenditures	31,217	28,554	34,551	31,696
Total program expenditures	124,222	112,013	130,495	118,739
Public debt charges	46,905	46,905	42,046	42,046
Total expenditures, Table 3.6	171,127	158,918	172,541	160,785
Deficit for the year	28,617	28,617	37,462	37,462
Accumulated deficit, beginning of year	545,672	545,672	508,210	508,210
Accumulated deficit, end of year, Table 3.12	574,289	574,289	545,672	545,672

REVENUES

Revenues consist of all tax and non-tax amounts which enter into the calculation of the annual surplus or deficit of the Government.

Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the child tax benefit program are charged in the period to which they relate.

Tax revenues for a fiscal year include receipts credited to the Receiver General for Canada by the Bank of Canada and the chartered banks by March 31st and amounts received in federal government offices by March 31st, but not deposited until April or not credited to the Receiver General until April. Tax revenues also include amounts received in the mail on the first working day of April, except when it is clear that it was the remitter's intention to discharge an obligation arising in the new fiscal year.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

Although a taxpayer's income tax liability relates to a taxation year, collection of individual and corporation income taxes by payroll deductions and instalment payments results in a distribution of receipts throughout the year. Similarly, the GST and other excise taxes and duties are received on a regular basis throughout the year.

Non-tax revenues are reported on an accrual basis.

Table 3.2 presents external revenues by main classification on both a gross and net basis. "Gross revenues" report all external revenues including:

- revenues netted against expenditures where, as authorized by Parliament, certain revenues which are associated with the recovery of certain costs are credited to program spending. In such cases, Parliament votes such funds net of authorized revenues;
- tax credits and repayments where certain tax credits are related to expenditures but are determined through the income tax or fiscal arrangements processes; and
- revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

"Net revenues" exclude the above three categories.

Chart 3A presents total net revenues by main classification for the current fiscal year while Chart 3B compares total net revenues for the last ten fiscal years.

TABLE 3.2
EXTERNAL REVENUES BY MAIN CLASSIFICATION
 (in millions of dollars)

	1995-96					1994-95	
	Gross revenues ⁽¹⁾	Revenues netted against expenditures	Deferred revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net revenues ⁽¹⁾	Gross revenues ⁽¹⁾
Tax revenues—							
Income tax—							
Personal	65,195			5,028		60,167	61,676
Corporation	15,955					15,955	11,604
Other income tax revenues.....	2,105					2,105	1,769
	83,255			5,028		78,227	75,049
Unemployment insurance premiums.....	18,510					18,510	18,928
Excise taxes and duties—							
Goods and services tax, Table 3.4 ..	19,174			2,799		16,375	19,602
Energy taxes —							
Excise tax—Gasoline	3,969					3,969	3,404
Excise tax—Aviation gasoline and diesel fuel	435					435	420
	4,404					4,404	3,824
Customs import duties	2,969					2,969	3,575
Other excise taxes and duties—							
Excise duties	2,223					2,223	2,335
Miscellaneous excise taxes and duties	1,316	683				633	1,158
	3,539	683				2,856	569
	30,086	683		2,799		26,604	30,494
Total tax revenues	131,851	683		7,827		123,341	124,471
Non-tax revenues—							
Return on investments, Table 3.5.....	4,567	38			54	4,475	5,078
Other non-tax revenues—							
Privileges, licences and permits	659	235	(111)			535	662
Refunds of previous years' expenditures.....	811					811	525
Service fees	1,621	1,370	(20)			271	1,748
Proceeds from sales	245	173	(1)			73	301
Proceeds from the disposal of surplus Crown assets	25					25	31
Domestic coinage	230	2				228	106
Net gain on exchange							39
Miscellaneous non-tax revenues	2,501	294			1,665	542	2,118
	6,092	2,074	(132)		1,665	2,485	5,530
Total non-tax revenues.....	10,659	2,112	(132)		1,719	6,960	10,608
Total revenues ⁽³⁾	142,510	2,795	(132)	7,827	1,719	130,301	135,079
							123,323

⁽¹⁾ Reflected on the Statement of Revenues and Expenditures in Section 1 of this volume.⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.⁽³⁾ Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

CHART 3A
TOTAL NET REVENUES BY MAIN CLASSIFICATION FOR 1995-96

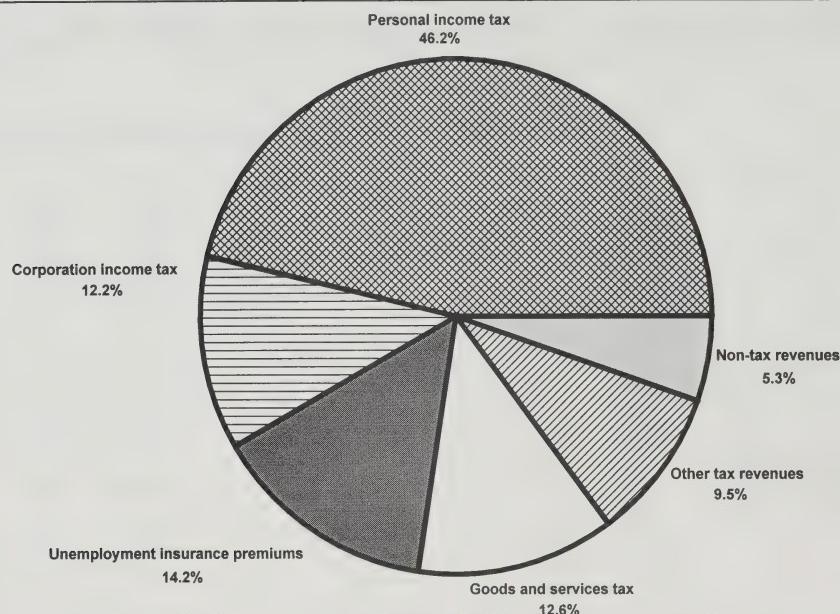
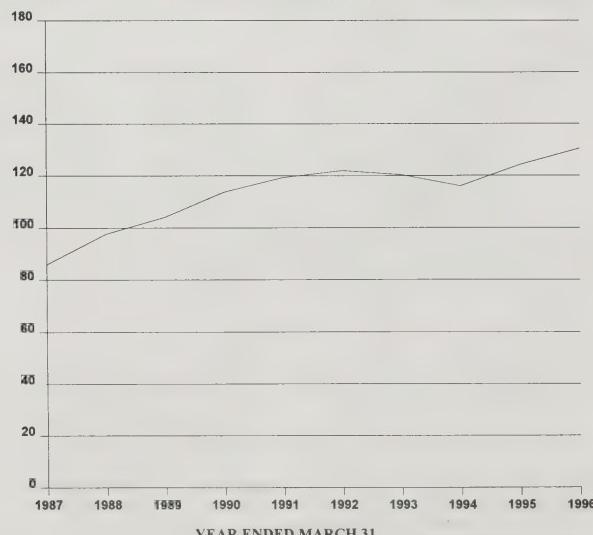


CHART 3B
TOTAL NET REVENUES
(in billions of dollars)



On a day-to-day basis, organizations within the Government transact with each other and thus contribute to gross amounts of revenues and expenditures. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.3 provides details of internal revenue transactions and shows the total of revenues from both internal and external sources. The total gross revenues of \$148,378 million include

the total revenues from all sources. Revenues of consolidated Crown corporations, revenues netted against expenditures and tax credits and repayments are deducted to arrive at net total revenues of \$130,415 million from all sources. The interdepartmental revenues of \$114 million are deducted from the net total revenues to report the net external revenues of \$130,301 million which are detailed in Table 4a in Section 1 of Volume II (Part I).

TABLE 3.3
**REVENUES FROM ALL SOURCES
(in millions of dollars)**

	Gross revenues	Less revenues of consolidated Crown corporations	External revenues	Less revenues netted against expenditures	Less deferred revenues netted against expenditures	Less tax credits and repayments	Net revenues
External transactions	142,510	1,719	2,795		(132)	7,827	130,301
Internal transactions by main classification—							
Excise taxes and duties		2					2
Return on investments		12					12
Privileges, licences and permits		4					4
Refunds of previous years' expenditures	19						19
Service fees	3,738			3,730			8
Proceeds from sales	551			551			
Proceeds from the disposal of surplus Crown assets	14						14
Miscellaneous non-tax revenues	1,528			1,473			55
Total internal transactions	5,868			5,754			114
Total revenues	148,378	1,719	2,795	5,754	(132)	7,827	130,415

Tax Revenues

Tax revenues include personal and corporation income taxes, other income tax revenues, unemployment insurance premiums, and excise taxes and duties.

Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

Corporation income tax

Corporation income tax is levied on corporation income under the provisions of the *Income Tax Act*.

Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax*

Act. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

Unemployment insurance premiums

Premiums from employees and employers are levied under the provisions of the *Unemployment Insurance Act* and are classified as part of revenues.

Excise taxes and duties

Excise taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff*. Excise taxes and duties include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

Goods and services tax

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the exception of

basic groceries, most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.4.

TABLE 3.4**GOODS AND SERVICES TAX (GST)⁽¹⁾**
(in thousands of dollars)

	1995-96	1994-95
GST received (National Revenue)	37,990,372	36,660,679
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food	5,115	4,380
Atlantic Canada Opportunities Agency	40	4
Canadian Heritage	3,777	3,055
Citizenship and Immigration	7	10
Environment	609	444
Finance	71	59
Fisheries and Oceans	745	775
Foreign Affairs and International Trade	2	2
Governor General	4	4
Health	32	20
Human Resources Development	106	116
Indian Affairs and Northern Development	303	296
Industry	3,238	2,880
Justice	56	10
National Defence	665	766
National Revenue	131	154
Natural Resources	1,002	891
Parliament	12	14
Privy Council	38	59
Public Works and Government Services	11,445	15,433
Solicitor General	1,025	1,032
Transport	29,064	23,613
Treasury Board	576	629
Veterans Affairs	34	37
Western Economic Diversification	1	
	58,097	54,684
Total GST received	38,048,469	36,715,363
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (National Revenue)	861,488	878,762
refunds paid (National Revenue)	16,481,988	14,787,437
rebates paid (National Revenue)	1,531,333	1,447,419
Gross GST received from outside parties	19,173,660	19,601,745
Less: quarterly tax credits paid (National Revenue)	2,798,941	2,815,612
Net GST received from outside parties	16,374,719	16,786,133

⁽¹⁾ Reported in: —Note 3 to the audited financial statements (Section 1 of this volume).

—Statement of Transactions of the Debt Servicing and Reduction Account (Section 1 of this volume).

—Statement of revenues in each ministerial section (Volume II-Part I).

Energy taxes

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

Customs import duties

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff*.

Other excise taxes and duties

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners.

Non-Tax Revenues

Non-tax revenues include return on investments and other non-tax revenues.

TABLE 3.5

RETURN ON INVESTMENTS⁽¹⁾
(in millions of dollars)

	1995-96	1994-95
Consolidated accounts—		
Agricultural Commodities Stabilization Accounts		6
Unemployment Insurance Account.....	228	424
	228	430
Cash in bank—		
Interest on bank deposits.....	370	155
Foreign exchange accounts—		
Exchange Fund Account	1,383	1,905
International Monetary Fund—Subscriptions	41	27
	1,424	1,932
Loans, investments and advances—		
Enterprise Crown corporations—		
Canada Deposit Insurance Corporation	123	186
Canada Development Investment Corporation	10	10
Canada Mortgage and Housing Corporation	680	706
Canadian National Railway System.....	7	8
Farm Credit Corporation.....	209	199
Other—		
Bank of Canada	1,841	1,571
Miscellaneous	28	33
	2,898	2,713
Joint and mixed enterprises	29	24
National governments including developing countries	89	75
International organizations	22	17
Provincial and territorial governments	22	26
Other loans, investments and advances	16	13
	3,076	2,868
Other accounts—		
Esso Ltd.—Norman Wells Project profits	100	30
Other	19	15
	119	45
Total ministerial net return on investments	5,217	5,430
Exchange Fund Account adjustment ⁽²⁾	(246)	(89)
Accrual of non-tax revenues	(256)	114
Consolidated specified purpose accounts	(228)	(430)
Total net return on investments	4,487	5,025
Return on investments internal to the Government	(12)	(4)
Total net return on investments from outside parties	4,475	5,021
External revenues netted against expenditures	38	36
Consolidated Crown corporations	54	21
Total gross return on investments from outside parties	4,567	5,078

(1) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

(2) On an accrual basis, the revenues are as follows: \$1,763 million for 1995-96 and \$1,899 million for 1994-95.

(3) Adjustment to recognize the net income for the 12 months period ending March 31.

Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses. A comparative analysis of return on investments is presented in Table 3.5.

Other non-tax revenues

Other non-tax revenues are comprised of proceeds from the sale of surplus Crown assets and current goods and services, refunds of previous years' expenditures, service fees, privi-

leges, licences and permits, domestic coinage, and miscellaneous non-tax revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

EXPENDITURES

Expenditures consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

Accounting for Expenditures

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement. Capital leases are recorded as expenditures over the lease term

as payments are made. Expenditures include allowances for any changes in the value of any assets, or to reflect liabilities at their economic value.

Table 3.6 presents external expenditures by type on both a gross and a net basis. The difference between gross and net expenditures is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues credited to expenditures.

TABLE 3.6
EXTERNAL EXPENDITURES BY TYPE
(in millions of dollars)

	Gross expenditures ⁽¹⁾	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net expenditures ⁽¹⁾	1995-96	1994-95
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance	20,430		(604)		21,034	20,143	20,511
Unemployment insurance benefits	13,476		417		13,476	14,815	14,815
Fiscal arrangements	8,627				8,210	8,067	7,674
Insurance and medical care	7,115				7,115	7,691	7,691
Canada Assistance Plan	7,191				7,191	7,266	7,266
Education support	2,365				2,365	2,486	2,486
Child tax benefits	5,215		5,215		5,322		
	64,419		5,028		59,391	65,790	60,443
Other transfer payments —							
Agriculture and Agri-Food	1,813				1,813	1,355	1,355
Foreign Affairs and International Trade	2,081				2,081	2,544	2,544
Human Resources Development	2,521				2,521	2,439	2,439
Indian Affairs and Northern Development	4,861				4,861	4,614	4,614
Industry	1,748				1,748	1,702	1,702
Veterans Affairs	1,391				1,391	1,445	1,445
Other	8,132		2,799		5,332	10,314	7,498
	22,546		2,799		19,747	24,413	21,597
Total transfer payments	86,965		7,827		79,138	90,203	82,040
Crown corporation expenditures	6,040			1,719	4,321	5,741	5,003
Other program expenditures —							
Finance	1,656	37			1,619	219	177
Fisheries and Oceans	1,189	10			1,179	1,212	1,212
Foreign Affairs and International Trade	1,155	54			1,101	1,238	1,189
Health	1,083	29			1,054	1,182	1,164
Industry	1,603	(63)			1,666	1,531	1,429
National Defence	10,293	358			9,935	11,063	10,693
National Revenue	2,055				2,055	2,098	2,042
Public Works and Government Services	1,837	165			1,672	2,015	1,720
Solicitor General	3,256	676			2,580	3,209	2,526
Treasury Board	1,230				1,230	755	755
Other	5,860	1,397			4,463	10,029	8,789
Total other program expenditures	31,217	2,663			28,554	34,551	31,696
Total program expenditures	124,222	2,663	7,827	1,719	112,013	130,495	118,739
Public debt charges, Table 3.9	46,905				46,905	42,046	42,046
Total expenditures ⁽³⁾	171,127	2,663	7,827	1,719	158,918	172,541	160,785

⁽¹⁾ Reflected on the Statement of Revenues and Expenditures in Section 1 of this volume.

⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

⁽³⁾ Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

Chart 3C presents total net expenditures by type for the current fiscal year, while Chart 3D compares total net expenditures for the last ten fiscal years.

CHART 3C TOTAL NET EXPENDITURES BY TYPE FOR 1995-96

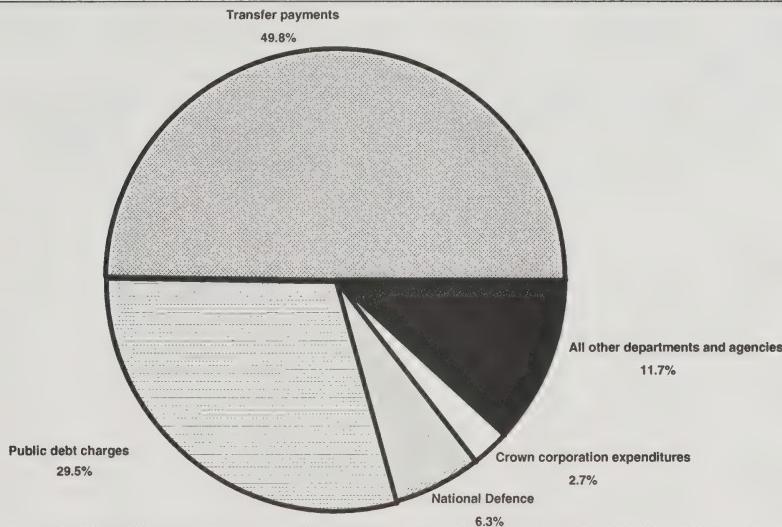
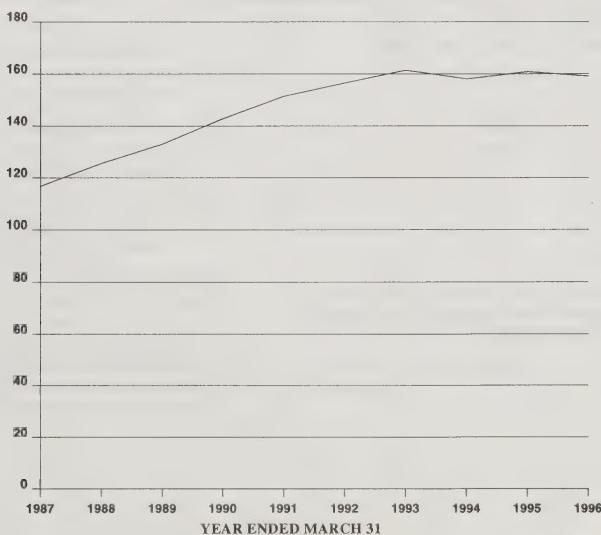


CHART 3D TOTAL NET EXPENDITURES (in billions of dollars)



On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenditures recorded in the accounts. In preparing the financial statements, these "internal transac-

tions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.7 provides details of internal expenditure transactions and shows the total of expenditures transacted by the Government with all sources.

TABLE 3.7
EXPENDITURES BY SOURCE
(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	External revenues	Internal revenues	Less revenues netted against expenditures	Net expenditures
External transactions.....	171,127	7,827	1,719	2,663			158,918
Internal transactions —							
Canadian Heritage.....	20					16	4
Environment.....	37					34	3
Foreign Affairs and International Trade.....	11					1	10
Industry.....	47					42	5
National Defence.....	13					9	4
National Revenue.....	150					115	35
Public Works and Government Services.....	3,973					3,949	24
Solicitor General.....	119					112	7
Transport.....	46					36	10
Treasury Board.....	74					74	
Other.....	27					15	12
Total internal transactions.....	4,517					4,403	114
Total expenditures.....	175,644	7,827	1,719	2,663	4,403		159,032

Government Spending

Government spending consists of four major types:

- transfer payments;
- Crown corporation expenditures;
- other program expenditures; and,
- public debt charges.

Transfer payments

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under three main programs:

- Established Program Financing: financial assistance in respect of health care services and post-secondary education;
- Fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
- Canada Assistance Plan: federal Government's share in the cost of social assistance programs administered by provinces;

- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

Table 3.8 presents a comparative analysis by province of certain transfer payments.

TABLE 3.8
CERTAIN TRANSFER PAYMENTS BY PROVINCE
 (in millions of dollars)

	Old age security benefits ⁽¹⁾	Unemploy- ment insurance benefits	Fiscal arrangements	Insurance and medical care			Canada Assistance Plan	Education support	Child tax benefits	Total
				Extended health care	Insured health					
Newfoundland	451	673	935	30	135	207	57			2,488
	<i>441</i>	<i>747</i>	<i>992</i>	<i>30</i>	<i>146</i>	<i>199</i>	<i>62</i>			<i>2,617</i>
Prince Edward Island	120	174	192	7	32	36	14			575
	<i>119</i>	<i>186</i>	<i>209</i>	<i>7</i>	<i>34</i>	<i>36</i>	<i>14</i>			<i>605</i>
Nova Scotia	776	640	1,118	48	220	285	93			3,180
	<i>767</i>	<i>755</i>	<i>1,183</i>	<i>48</i>	<i>234</i>	<i>264</i>	<i>99</i>			<i>3,350</i>
New Brunswick	631	724	928	39	176	207	74			2,779
	<i>622</i>	<i>804</i>	<i>914</i>	<i>39</i>	<i>190</i>	<i>203</i>	<i>81</i>			<i>2,853</i>
Quebec	5,560	4,279	3,917	377	916	1,997	370			17,416
	<i>5,405</i>	<i>4,647</i>	<i>3,444</i>	<i>372</i>	<i>1,042</i>	<i>2,031</i>	<i>375</i>			<i>17,316</i>
Ontario	7,299	3,720	419	569	2,300	2,508	952			17,767
	<i>7,110</i>	<i>4,198</i>	<i>248</i>	<i>561</i>	<i>2,402</i>	<i>2,577</i>	<i>1,001</i>			<i>18,097</i>
Manitoba	937	372	1,073	58	267	329	112			3,148
	<i>925</i>	<i>404</i>	<i>1,099</i>	<i>59</i>	<i>284</i>	<i>332</i>	<i>120</i>			<i>3,223</i>
Saskatchewan	913	284	210	52	236	243	99			2,037
	<i>903</i>	<i>308</i>	<i>537</i>	<i>52</i>	<i>254</i>	<i>237</i>	<i>108</i>			<i>2,399</i>
Alberta	1,556	980	20	141	582	493	237			4,009
	<i>1,506</i>	<i>1,070</i>	<i>163</i>	<i>140</i>	<i>609</i>	<i>479</i>	<i>260</i>			<i>4,227</i>
British Columbia	2,625	1,602	3	193	836	837	349			6,445
	<i>2,549</i>	<i>1,764</i>	<i>31</i>	<i>189</i>	<i>848</i>	<i>882</i>	<i>357</i>			<i>6,620</i>
Total provinces	20,868	13,448	8,815	1,514	5,700	7,142	2,357			59,844
	<i>20,347</i>	<i>14,883</i>	<i>8,820</i>	<i>1,497</i>	<i>6,043</i>	<i>7,240</i>	<i>2,477</i>			<i>61,307</i>
Northwest Territories	15	33	1	3	13	32	5			102
	<i>15</i>	<i>32</i>	<i>1</i>	<i>3</i>	<i>14</i>	<i>29</i>	<i>6</i>			<i>100</i>
Yukon Territory	9	26		2	8	11	3			59
	<i>8</i>	<i>30</i>		<i>2</i>	<i>7</i>	<i>11</i>	<i>3</i>			<i>61</i>
International	142	2								144
	<i>141</i>	<i>3</i>								<i>144</i>
Sub-total	21,034	13,509	8,816	1,519	5,721	7,185	2,365			60,149
	<i>20,511</i>	<i>14,948</i>	<i>8,821</i>	<i>1,502</i>	<i>6,064</i>	<i>7,280</i>	<i>2,486</i>			<i>61,612</i>
Provision for valuation		(33)	(606)		(125)		6			(758)
		(133)	(1,147)		125		(14)			(1,169)
Total (Net)	21,034	13,476	8,210	1,519	5,596	7,191	2,365			59,391
	<i>20,511</i>	<i>14,815</i>	<i>7,674</i>	<i>1,502</i>	<i>6,189</i>	<i>7,266</i>	<i>2,486</i>			<i>60,443</i>
Add tax credits and repayments	(604)		417						5,215	5,028
	(368)		393						5,322	5,347
Total (Gross)	20,430	13,476	8,627	1,519	5,596	7,191	2,365	5,215	64,419	
	<i>20,143</i>	<i>14,815</i>	<i>8,067</i>	<i>1,502</i>	<i>6,189</i>	<i>7,266</i>	<i>2,486</i>	<i>5,322</i>	<i>65,790</i>	

Amounts in roman type are 1995-96 transfer payments.

Amounts in italic type are 1994-95 transfer payments.

(1) Includes the guaranteed income supplement and the spouse's allowance.

Crown corporation expenditures

Crown corporation expenditures include the net expenditures (expenditures less revenues) of consolidated Crown corporations and the expenditures related to enterprise Crown corporations.

Other program expenditures

Other program expenditures include defence spending, as well as Government administration and specific services delivered to the public. This spending covers the operating and capital costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system, to name just a few.

TABLE 3.9**PUBLIC DEBT CHARGES⁽¹⁾**

(in millions of dollars)

Public debt charges

Public debt charges include the interest on unmatured debt and on pension and other accounts, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the Finance ministerial section (Section 7) of Volume II (Part I) and the total net expenditures of the public debt indicated in Table 3.6. The reconciling items include the expenditures of the consolidated specified purpose accounts and the financing costs related to the sale of investments.

	1995-96	1994-95
Unmatured debt—		
Interest on:		
Marketable bonds	21,242	19,200
Canada savings bonds	2,184	2,014
Bonds for Canada Pension Plan	379	359
Canada notes	⁽²⁾	
	23,805	21,573
Amortization of premiums, discounts and commissions on:		
Treasury bills	11,118	9,343
Marketable bonds	342	337
Canada bills	304	342
Canada savings bonds	48	56
	11,812	10,078
Servicing costs and costs of issuing new borrowings	53	78
Total public debt charges related to unmatured debt	35,670	31,729
Interest on:		
Pension and other accounts—		
Public sector pensions—Superannuation accounts	10,481	9,699
Canada Pension Plan	294	237
Government Annuities Account	45	48
Deposit and trust accounts	85	95
Other specified purpose accounts	178	155
	11,083	10,234
Other accounts	69	83
Total public debt charges related to pension and other accounts ⁽³⁾	11,152	10,317
Interest on consolidated specified purpose accounts—		
Unemployment Insurance Account	35	17
Agricultural Commodities Stabilization Accounts	2	6
Other	17	19
Total public debt charges related to consolidated specified purpose accounts	54	42
Total public debt charges ⁽⁴⁾	46,876	42,088
Financing costs related to the sale of investments ⁽³⁾	83	
	46,959	42,088
Less: total public debt charges related to consolidated specified purpose accounts	54	42
Total net/gross public debt charges with outside parties	46,905	42,046

(1) Additional details are provided in Table 2a in Section 1 of Volume II (Part I).

(2) Less than \$ 500,000.

(3) Combined as interest on pension and other accounts in Volume I, Section I, Note 4, iv., public debt charges.

(4) Additional details are provided in Section 9 of Volume II (Part II).

Expenditures by Standard Object

Table 3.10 presents total expenditures by standard object on both a gross and net basis for the current fiscal year.

TABLE 3.10
TOTAL EXPENDITURES BY STANDARD OBJECT
 (in millions of dollars)

	Total expenditures	Internal expenditures	Internal revenues netted against expenditures	Total external expenditures
Personnel	16,743		(4)	16,747
Transportation and communications	2,032	6	229	1,797
Information	362	3	117	242
Professional and special services	4,414	30	1,143	3,241
Rentals	1,889	22	850	1,017
Purchased repair and maintenance	1,669	9	335	1,325
Utilities, materials and supplies	2,917	6	221	2,690
Construction or acquisition of land, buildings and works	1,403	15	612	776
Construction or acquisition of machinery and equipment	3,300	1	33	3,266
Transfer payments	86,965			86,965
Public debt charges	46,905			46,905
Other subsidies and payments	7,045	22	867	6,156
Total gross expenditures	175,644	114	4,403	171,127
Add:				
Unemployment Insurance Account	1,351		1,351	
Internal expenditures		114		(114)
Less:				
Revenues netted against expenditures—				
External revenues	2,663			2,663
Internal revenues	5,754	114	5,754	(114)
Revenues of consolidated Crown corporations	1,719			1,719
Tax credits and repayments	7,827			7,827
Total net expenditures	(16,612)	0	(4,403)	(12,209)
	159,032	114		158,918

Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total net expenditures each year.

Table 3.11 presents a comparative summary of these statutory expenditures. The table also discloses the reconciling items

between total ministerial expenditures under statutory authorities and total net statutory expenditures. The reconciling items include the statutory expenditures of the consolidated specified purpose accounts and the provision for valuation. External revenues netted against expenditures have been added to the total net statutory expenditures to obtain the total gross statutory expenditures with outside parties.

TABLE 3.11

EXPENDITURES UNDER STATUTORY AUTHORITIES
(in millions of dollars)

	1995-96	1994-95
Public debt charges	46,877	42,088
Old age security payments	15,999	15,478
Fiscal equalization (<i>Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act</i>)—		
Part I)	8,801	8,543
Payments for insured health services and extended health care services	7,241	7,566
Canada Assistance Plan payments	7,185	7,279
Guaranteed income supplement payments	4,628	4,604
Post-secondary education payments to provinces and territories	2,365	2,486
Adjustment to the accounts of Canada to reflect the sale of Petro-Canada shares pursuant to the <i>Petro-Canada Public Participation Act</i>	1,328	
Adjustment to the accounts of Canada to reflect the sale of Canadian National Railway Company shares pursuant to the <i>CN Commercialization Act</i>	1,101	
Payments in connection with the <i>Western Grain Transition Payments Act</i>	889	
Spouse's allowance payments	408	429
Interest payments, liabilities under the <i>Canada Student Loans Act</i>	837	529
Fiscal stabilization (<i>Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act</i>)—		
Part II)	312	378
Grants to municipalities and other taxing authorities	398	408
Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽¹⁾		
Public Service—		
Government's matching contribution to the Public Service Superannuation Account	881	883
Government's contribution as employer to the Unemployment Insurance Account	327	340
Government's matching contribution to the Canada and the Quebec Pension Plans	186	170
Government's matching contribution to the death benefit account	7	7
Less: recoveries from revolving funds	1,401	1,400
Less: 68	68	69
	1,333	1,331
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account	410	437
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	15	13
Government's contribution as employer to the Unemployment Insurance Account	104	115
Government's matching contribution to the Canada and the Quebec Pension Plans	61	63
Government's matching contribution to the death benefit account	3	2
	593	630
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account	119	126
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	20	21
Government's contribution as employer to the Unemployment Insurance Account	28	31
Government's matching contribution to the Canada and the Quebec Pension Plans	15	17
	182	195
All other statutory expenditures	2,592	3,476
Total ministerial expenditures under statutory authorities ⁽²⁾	<u>103,069</u>	<u>95,420</u>
Consolidated specified purpose accounts—		
Unemployment Insurance Account	14,365	15,728
Western Grain Stabilization Account	(2)	(1)
Crop Reinsurance Fund	(1)	1
Agricultural Commodities Stabilization Accounts	25	119
Other	(7)	(5)
Total expenditures of consolidated specified purpose accounts	<u>14,380</u>	<u>15,842</u>
Provision for valuation	(5,667)	314
Total net statutory expenditures with outside parties	<u>111,782</u>	<u>111,576</u>
External revenues netted against expenditures	408	438
Total gross statutory expenditures with outside parties	<u>112,190</u>	<u>112,014</u>

⁽¹⁾ Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.⁽²⁾ Additional details are provided in Table 7 in Section 1 of Volume II (Part I).

ACCUMULATED DEFICIT

The accumulated deficit account represents the net accumulation of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account reflecting changes in accounting policies introduced over the years. The accumulated deficit is equal to the excess of recorded liabilities over total assets.

A Statement of Accumulated Deficit is published in Section 1 of this volume.

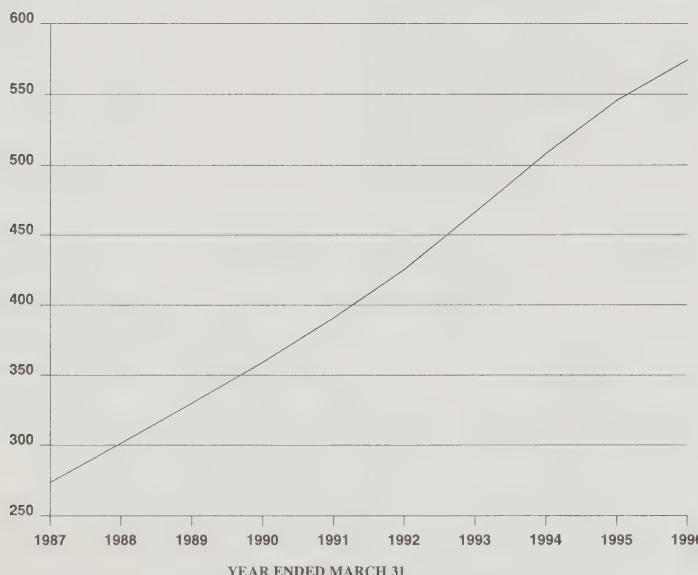
Table 3.12 presents a ten year comparative statement of the accumulated deficit, in terms of total liabilities and total assets. Chart 3E presents the accumulated deficit for the last ten fiscal years.

TABLE 3.12

STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS
(in millions of dollars)

As at March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase
1996.....	622,796	48,507	574,289	28,617
1995.....	582,863	37,191	545,672	37,462
1994.....	544,106	35,896	508,210	42,012
1993.....	501,572	35,374	466,198	41,021
1992.....	465,124	39,947	425,177	34,357
1991.....	431,276	40,456	390,820	32,000
1990.....	395,335	36,515	358,820	28,930
1989.....	369,634	39,744	329,890	28,773
1988.....	338,252	37,135	301,117	27,794
1987.....	307,108	33,785	273,323	30,742

CHART 3E
ACCUMULATED DEFICIT
(in billions of dollars)



SECTION 4

1995-96

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

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CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies. The most significant difference between GAAP and the Government basis of accounting is that under GAAP, non-financial assets such as buildings, machinery, equipment and inventories are reflected as assets and written-off over their respective lives or as they are consumed or used. The Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Physical assets and deferred charges are assets such as property, plant and equipment and inventories that are accounted for under generally accepted accounting principles by most corporations which differ from those of the Government. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are the inflow of cash, receivables and other consideration arising in the course of ordinary activities of a corporation, normally the sale of goods, the rendering of services and the use by others of enterprise resources yielding interest, royalties and dividends. Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are the outflow or reduction of assets or incurrence of liabilities resulting from a corporation's ordinary revenue generating or service delivery activities. Expenses are segregated between third parties and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the Crown corporation. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Adjustments include prior period adjustments and other items affecting equity as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Table 4.3 summarizes such borrowings for the consolidated corporations and the changes during the year ended March 31, 1996. Contingent liabilities of consolidated corporations are presented in Table 4.4.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 1996 is provided in Table 4.5. Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

TABLE 4.1

**FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1996**
(in thousands of dollars)

	Assets			
	Financial		Physical assets and deferred charges	Total assets
Third parties	Government and Crown corporations			
Crown corporations ⁽¹⁾				
Atomic Energy of Canada Limited ⁽²⁾	233,021	23,048	737,065	993,134
Canada Council	147,770	46,835	23,297	217,902
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc. ⁽³⁾	494			494
Old Port of Montreal Corporation Inc.	1,938			2,122
Canada Museums Construction Corporation Inc. ⁽³⁾	42			42
Canada Mortgage and Housing Corporation				
Minister's Account				
Canadian Broadcasting Corporation	103,264	206,149	1,387,263	1,696,676
Canadian Dairy Commission				
Dairy Support Operation financed by the Government of Canada				
Canadian Film Development Corporation	19,607	24,789	3,389	47,785
Canadian Museum of Civilization	16,792	822	13,020	30,634
Canadian Museum of Nature	15,569	2,385	2,575	20,529
Defence Construction (1951) Limited	788	1,363	1,704	3,855
Enterprise Cape Breton Corporation	3,471	920	148	4,539
Queens Quay West Land Corporation ⁽⁴⁾	3,693		2,129	5,822
International Development Research Centre	40,406	182	5,725	46,313
Jacques Cartier and Champlain Bridges Incorporated, The	3,843	2,115	10,716	16,674
Marine Atlantic Inc.	31,446	123	336,563	368,132
National Arts Centre Corporation	5,238	126	11,964	17,328
National Capital Commission	48,827	1,223	357,118	407,168
National Gallery of Canada	4,500	6,612	8,610	19,722
National Museum of Science and Technology	3,736	506	6,749	10,991
Standards Council of Canada	1,787	677	943	3,407
VIA Rail Canada Inc.	55,049	65,224	653,383	773,656
Total	741,281	383,099	3,562,545	4,686,925
Conversion to the Government accounting basis for consolidation purposes	216		3,562,545	3,562,761
Total on the Government accounting basis	741,065	383,099		1,124,164

⁽¹⁾ All Crown corporations listed in this table are parent Crown corporations except the following: Canada Lands Company Vieux-Port de Québec Inc., Canada Museums Construction Corporation Inc., Old Port of Montreal Corporation Inc., and Thé Jacques Cartier and Champlain Bridges Incorporated.

⁽²⁾ After a review of its operation, it has been determined that Atomic Energy of Canada Limited meets the criteria of a consolidated Crown corporation and therefore is presented as such in this table.

⁽³⁾ The corporation is inactive.

⁽⁴⁾ Pursuant to Bill C-8, the dissolution of Queens Quay West Land Corporation has been delayed indefinitely.

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
5,809	407,549	115,620	528,978	464,156	993,134
	66,192	652	66,844	151,058	217,902
	2	289	291	203	494
	2,074	37	2,111	11	2,122
	918		918	(876)	42
	988,466	27,999	1,016,465	680,211	1,696,676
	12,177	4	12,181	35,604	47,785
	12,656	403	13,059	17,575	30,634
	5,015	9,881	14,896	5,633	20,529
	4,001	114	4,115	(260)	3,855
	1,793		1,793	2,746	4,539
	2,555	45,800	48,355	(42,533)	5,822
	17,100	8,664	25,764	20,549	46,313
	3,111	39	3,150	13,524	16,674
8,065	350,761	18,865	377,691	(9,559)	368,132
	5,289	83	5,372	11,956	17,328
	41,524	10,411	51,935	355,233	407,168
	7,601	1,598	9,199	10,523	19,722
	3,375	522	3,897	7,094	10,991
	1,146	81	1,227	2,180	3,407
	122,709	7,494	130,203	643,453	773,656
13,874	2,056,014	248,556	2,318,444	2,368,481	4,686,925
	877,731	(18,128)	859,603	2,703,158	3,562,761
13,874	1,178,283	266,684	1,458,841	(334,677)	1,124,164

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

Crown corporations	Revenues			
	Third parties	Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited	404,432	179,774	2,248	586,454
Canada Council	19,044	97,946	4,244	121,234
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc.				
Old Port of Montreal Corporation Inc.	10,090	3,500		13,590
Canada Museums Construction Corporation Inc.	99			99
Canada Mortgage and Housing Corporation				
Minister's Account		1,939,524		1,939,524
Canadian Broadcasting Corporation	449,344	1,069,254	6,487	1,525,085
Canadian Dairy Commission				
Dairy Support Operation Financed				
by the Government of Canada		210,499		210,499
Canadian Film Development Corporation.	28,257	108,957		137,214
Canadian Museum of Civilization	9,267	46,204		55,471
Canadian Museum of Nature	4,085	26,261		30,346
Defense Construction (1951) Limited		12,154	5,710	17,864
Enterprise Cape Breton Corporation	918		26	944
Queens Quay West Land Corporation	3,032			3,032
International Development Research Centre	9,125	96,100	10,476	115,701
Jacques Cartier and Champlain Bridges Incorporated, The	837	28,445	12	29,294
Marina Atlantic Inc.	97,866	85,854	2,864	186,584
National Arts Centre Corporation	15,913		524	16,437
National Capital Commission	24,531	90,594	13,216	128,341
National Gallery of Canada	5,508	34,436		39,944
National Museum of Science and Technology	3,236	20,773	85	24,094
Standards Council of Canada.	4,333	5,264	312	9,909
VIA Rail Canada Inc	169,808	244,531	7,438	421,777
Total	1,259,725	4,300,070	53,642	5,613,437
Conversion to the Government accounting basis for consolidation purposes	454,255	209,216		663,471
Total on the Government accounting basis	1,713,980	4,509,286	53,642	6,276,908

Notes to Table 4.1 are an integral part of this table.

Third parties	Expenses		Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
595,389 109,204	987	596,376 109,204	(9,922) 12,030	124,368	474,078 (57)	14,717		464,156 151,058
12,739 1,847		12,739 1,847	851 (1,748)	(840) 872	203			203 11 (876)
1,851,290 1,671,308	88,234	1,939,524 1,684,888	(159,803)	738,599			101,415	680,211
210,499 138,950 50,124 26,970 17,960 15,082 5,570 121,181 29,812 184,162 36,032 86,083 27,800 16,203 9,343 400,601	1,420 3,369 2,253 17,960 379 111 121,181 655 184,162 1,271 14,945 9,525 6,093 332 47,138	210,499 140,370 53,493 29,223 (96) 15,461 (2,649) (5,480) 30,467 2,422 37,303 101,028 37,325 22,296 9,675 447,739	(3,156) 1,978 1,123 (96) (14,517) (39,884) (5,480) (1,173) (12,618) (20,866) 27,313 2,619 1,798 234 (25,962)	38,760 15,597 4,165 (164) 2,225 26,029 14,638 13,136 327,920 7,904 5,296 1,946 625,970	345 15,038 59 20 19,686 355,233 10,523 7,094 2,180 43,445	617		35,604 17,575 5,633 (260) 2,746 (42,533) 20,549 (9,559) 11,956 355,233 10,523 7,094 2,180 643,453
5,618,149	190,292	5,808,441	(195,004)	1,894,122	474,638	14,717	180,008	2,368,481
864,144	(135,781)	728,363	(64,892)	(1,968,903)	(474,638)	(14,717)	(180,008)	(2,703,158)
6,482,293	54,511	6,536,804	(259,896)	(74,781)				(334,677)

Borrowings by Consolidated Agent Crown Corporations

Table 4.3 summarizes the borrowing transactions by consolidated agent Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that an annual statement be included in the *Public Accounts of Canada*. The borrowings are

from lenders other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings are consolidated in the summary financial statements of Canada.

TABLE 4.3

BORROWINGS BY CONSOLIDATED AGENT CROWN CORPORATIONS (in thousands of dollars)

	Balance April 1/1995	Borrowings and other credits	Payments and other charges	Balance March 31/1996
Atomic Energy of Canada Limited		5,809		5,809

Notes to Table 4.1 are an integral part of this table.

Contingent Liabilities of Consolidated Crown Corporations

Table 4.4 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.4

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS (in thousands of dollars)

March 31/1996

<u>Agent Crown corporations</u>				
Canada Lands Company Limited (Vieux-Port de Québec Inc.)—Miscellaneous litigation				1,100
Canada Museums Construction Corporation Inc.—Contract disputes				325
Defence Construction (1951) Limited—Contract disputes				9,162
International Development Research Centre—Contract dispute				820
National Capital Commission—Miscellaneous litigation and agreements				14,916
Canada Lands Company Limited (Old Port of Montreal Corporation Inc.)—Contract dispute				2,000
				28,323
<u>Non-agent Crown corporations</u>				
Marine Atlantic Inc.—Miscellaneous claims				6,567
Total				34,890

Notes to Table 4.1 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.5 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 4.5

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
Agent Crown corporations			
Atomic Energy of Canada Limited	174,594	174,594	
Canada Lands Company Limited			
Old Port of Montreal Corporation Inc	3,500	3,500	
Canada Mortgage and Housing Corporation ⁽²⁾	1,939,524	1,939,524	
Canadian Broadcasting Corporation	1,170,669	1,073,254	97,415
Canadian Dairy Commission	206,690	206,690	
Canadian Film Development Corporation	108,987	108,987	
Canadian Museum of Civilization	46,204	46,204	
Canadian Museum of Nature	26,821	26,821	
Defence Construction (1951) Limited	12,299	12,299	
Enterprise Cape Breton Corporation	15,038	15,038	
National Capital Commission	98,614	73,767	24,847
National Gallery of Canada	33,574	3,000	30,574
National Museum of Science and Technology	20,773	20,773	
	3,857,287	3,704,451	152,836
Non-agent Crown corporations			
Canada Council	97,946	97,946	
International Development Research Centre	96,100	96,100	
Jacques Cartier and Champlain Bridges Incorporated, The	28,540	28,540	
Marine Atlantic Inc	99,984	99,984	
National Arts Centre Corporation	19,685	19,685	
Standards Council of Canada	5,264	5,264	
Queens Quay West Land Corporation	7,500	7,500	
VIA Rail Canada Inc	300,977	300,977	
	655,996	655,996	
Total	4,513,283	4,360,447	152,836

(1) Excludes grants and contributions paid to agent and non-agent Crown corporations where they qualify as members of a general class of recipients.

(2) Includes budgetary appropriations for Government programs known as the "Minister's account".

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenditures which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenditures.

In the past, earmarked revenues were credited to non-budgetary accounts, with related offsetting payments and expenditures charged thereto. The transactions of these accounts are now reported with revenues and expenditures, in

order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.6 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.6. Such description follows the same presentation order as the respective table.

The financial statements of the Unemployment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	Receipts and other credits		Payments and other charges		March 31/1996
	External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	
Major Accounts—					
Agriculture and Agri-Food—					
Western Grain Stabilization					
Account	21,708,886				(2,026,970)
Less: interest-bearing loans	1,112,000,000				23,735,856
(1,090,291,114)					1,112,000,000
Crop Reinsurance Fund	100,166,143	56,707,544			(1,088,264,144)
Less: interest-bearing loans	443,156,751				158,139,289
(342,990,608)		56,707,544			443,156,751
Agricultural Commodities					
Stabilization Accounts	38,639,026	19,652,740	6,043,142	31,228,009	(285,017,462)
(1,394,642,696)		76,360,284	6,043,142	27,935,437	33,106,899
Human Resources Development—					
Unemployment Insurance Account, Table 4.7.	(499,378,862)	18,509,540,040	494,410,164	14,863,270,478	3,614,259,339
Less: interest-bearing loans	3,386,400,000				27,041,525
(3,885,778,862)		18,509,540,040	494,410,164	14,863,270,478	3,386,400,000
Total major accounts	(5,280,421,558)	18,585,900,324	500,453,306	14,891,205,915	227,859,339
Insurance Accounts—					(1,313,133,182)
Finance—					
Investors' Indemnity Account	50,977			5,674	45,303
Fisheries and Oceans—					
Fishing Vessel Insurance Plan	29,341,361	2,720,622			3,503,639
Health—					
Health Insurance Supplementary Account	28,387				28,387
Natural Resources—					
Atomic Energy Control Board—					
Nuclear Liability Reinsurance Account	541,521	2,800			544,321
Transport—					
Ship-Source Oil Pollution Fund	233,260,548		17,075,258	3,002,726	247,333,080
Total insurance accounts	263,222,794	2,723,422	17,075,258	6,512,039	276,509,435

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Continued*

	Receipts and other credits		Payments and other charges		March 31/1996
	External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	
Other Specified Purpose Accounts—					
Canadian Heritage—					
Alexander Graham Bell National Historic Site.....	5,933				5,933
Claudia de Hulck Bequest Account.....	371,643	22,336		15,000	378,979
Marconi Celebration Trust Fund.....	11,765	27,500		30,761	8,504
National Archives of Canada— Donations.....	186,032	261,329		196,427	250,934
National Battlefields Commission— Trust Fund Account.....	234,568	432,575	15,668	342,064	340,747
National Library— Special Operating Account	50,288	134,860		117,174	67,974
	860,229	878,600	15,668	701,426	1,053,071
Environment—					
Endangered Species—Donations	(25)	164			139
Fish Habitat Restoration Account	826,418	35,000			861,418
	826,393	35,164			861,557
Finance—					
Canadian Commercial Bank and Northland Bank Holdback Account.....	246,223,464				246,223,464
Fisheries and Oceans—					
Supplementary Fines Fish Account	31,500	53,500		23,514	61,486
Governor General—					
Friends of Rideau Hall Account	1,857	144,425		120,110	26,172
Health—					
Sioux Lookout Zone Hospital.....	394	238		632	
Dawson City Nursing Station— Father Judge Memorial		60,336		521	59,815
Medical Research Council— Donations for Research	1,325,363	2,006,979	42,321	818,706	2,555,957
	1,325,757	2,067,553	42,321	819,859	2,615,772
Human Resources Development—					
Canadian Centre for Occupational Health and Safety—Donations	78,296			(955)	79,251
Indian Affairs and Northern Development—					
Environmental Studies Research Fund	193,967	36,479		50,000	180,446
Industry—					
National Research Council of Canada— H. L. Holmes Fund	40,366	79,884		97,198	23,052
Natural Sciences and Engineering Research Council—Donation Trust Fund	75,548	47,730		123,278	
	115,914	127,614		220,476	23,052
Natural Resources—					
Environmental Studies Research Fund	302,441	160,000		191,125	271,316
Privy Council—					
Canadian Transportation Accident Investigation and Safety Board— Flight Recorder Software Systems Account		20,294			20,294
National Round Table on the Environment and Economy—Donations ...	126,302	196,542		252,250	70,594
	126,302	216,836		252,250	90,888

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	Receipts and other credits		Payments and other charges		March 31/1996
	External transactions	Internal transactions	External transactions	Internal transactions	
April 1/1995	\$	\$	\$	\$	\$
Public Works and Government Services—					
Seized Property Proceeds					
Account	6,420,071	9,834,250		1,158,825	15,095,496
Transport—					
Fines for the Transportation of Dangerous Goods	51,549	40,000		81,856	9,693
Total other specified purpose accounts	256,557,740	13,594,421	57,989	3,618,486	266,591,664
Total	(4,760,641,024)	18,602,218,167	517,586,553	14,901,336,440	227,859,339
					(770,032,083)

Western Grain Stabilization Account

The purpose of the *Western Grain Stabilization Act* was to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, domestic mustard seed, canola, flax seed, triticale, mixed grain, sunflower seed, buckwheat, peas, lentils, fabaveans and canary seed as well as any other prescribed seed that was produced in the designated area and was a grain for which a grade has been established and designated as "Canada Western" by regulation under the *Canada Grain Act*.

This account recorded funds which were received from:

- (a) levies paid by participating producers—levy rate ranging from 1 percent to 4 percent were applied to a participant's grain sales proceeds not exceeding \$60,000 per year;
- (b) Government contributions were equal to levies paid by producers plus an additional 2 percent of the participant's eligible grain sales proceeds of all participants on which the levy was paid by participants;
- (c) interest on the amount that was standing to the credit of the Account at rates and in accordance with the terms and conditions which were determined by the Minister of Finance; and,

(d) advances from the Consolidated Revenue Fund, pursuant to section 45 of the *Western Grain Stabilization Act* when the balance in the Account was not sufficient for the payment of the stabilization payments and other amounts required to be charged to the Account pursuant to section 44 of the *Western Grain Stabilization Act*.

The outstanding advance in the Account is presently being renegotiated. Treatment of the Account's deficit upon termination of the Western Grain Stabilization Account is subject to the provision of subsection 24(3) of the *Farm Income Protection Act*: "The Governor in Council may, by order, fix the day on which the Western Grain Stabilization Account continued pursuant to subsection (1) shall be closed." The *Western Grain Stabilization Act* has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Payments and other charges to outside parties of -\$2.0 million (-\$1.3 million in 1995) are reported and presented in the Statement of Revenues and Expenditures.

Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to section 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance advances additional funds to cover these obligations. These advances are recovered without interest from future revenues from the provinces.

Receipts and other credits from outside parties of \$57 million (\$65 million in 1995) are reported as revenues, while payments and other charges show a credit of \$1.3 million, due to recovery of previous payments (\$557,000 in 1995), are reported as expenditures in the Statement of Revenues and Expenditures.

Agricultural Commodities Stabilization Accounts

The purpose of these accounts is to reduce income loss to producers from market risks through stabilizing prices. Premiums are shared equally by the Government of Canada, the governments of participating provinces and participating producers. These premiums should equal the total paid over time. There are several active accounts as follows:

- (a) hogs;
- (b) feeder cattle;
- (c) slaughter cattle;
- (d) feeder calves;
- (e) home-raised lambs;
- (f) ewe flock;
- (g) apples;
- (h) white pea beans;
- (i) kidney/cranberry beans;
- (j) other coloured beans;
- (k) sugar beets;
- (l) honey; and,
- (m) onions.

These accounts are continued in the accounts of Canada pursuant to section 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Receipts and other credits from outside parties of \$20 million (\$61 million in 1995) are reported as revenues, while payments and other charges to outside parties of \$31 million (\$129 million in 1995) are reported as expenditures in the Statement of Revenues and Expenditures.

Receipts and other credits of \$6 million (\$11 million in 1995), and payments and other charges of \$nil million (\$26 million in 1995), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Unemployment Insurance Account

The *Unemployment Insurance Act* provides for a compulsory contributory unemployment insurance program applicable to all employees, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Unemployment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and, since November 18, 1990, special assistance payments and benefit repayments; (c) amounts for services rendered to other Government departments or agencies, or to the public; (d) amounts provided for any other purpose related to unemployment insurance and authorized by an appropriation administered by the Canada Employment and Immigration Commission; and, (e) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The Act also provides that the following be charged to the Account: (a) benefits and, since November 18, 1990, special assistance payments paid under the Act; (b) costs of administering the Act; and, (c) interest on advances made by the Minister of Finance.

Maximum weekly employee premiums were \$24.45 from April 1, 1995 to December 31, 1995 and \$22.13 from January 1, 1996 to March 31, 1996. Maximum weekly benefits were \$448 from April 1, 1995 to December 31, 1995 and \$465 from January 1, 1996 to March 31, 1996.

Receipts and other credits from outside parties of \$18,510 million (\$18,928 million in 1995) are reported as revenues, while payments and other charges to outside parties of \$14,863 million (\$16,245 million in 1995) are reported as expenditures in the Statement of Revenues and Expenditures.

Receipts and other credits of \$494 million (\$504 million in 1995), and payments and other charges of \$3,614 million (\$3,142 million in 1995), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Table 4.7 presents a statement of the transactions in the Unemployment Insurance Account. Notwithstanding the accounting policies of the Government, the data in Table 4.7, except for administration costs, are presented on a cash basis. This method is used to permit a direct reconciliation of data with the accounts of Canada and the data in Table 4.6. For the purpose of presentation in the financial statements of the Government of Canada, adjusting entries have been brought to these accounts in order to conform to the stated accounting policies.

The unemployment insurance benefits as reported in Table 4.7 (\$13,512 million) differ from the benefits (\$13,476 million) reported in the Statement of Revenues and Expenditures (Section 1 of this volume). The difference is attributed to further adjustments due to the provision for valuation (\$33 million) and the unemployment insurance benefits recovery of \$3 million through the Income Tax System.

TABLE 4.7

TRANSACTIONS IN THE UNEMPLOYMENT INSURANCE ACCOUNT (in millions of dollars)

	1995-96	1994-95
RECEIPTS AND OTHER CREDITS—		
Premiums—		
Employers and employees	18,921	19,371
Penalties	47	44
Interest earned	35	17
	19,003	19,432
PAYMENTS AND OTHER CHARGES—		
Benefits	13,512	14,961
Administration costs	1,351	1,285
Interest expense	228	423
	15,091	16,669
Net change	3,912	2,763
Repayments	(3,386)	(2,718)
Balance at beginning of year	(499)	(544)
Balance at end of year	27	(499)

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$3 million (\$6 million in 1995) are reported as revenues, while payments and other charges to outside parties of \$7 million (\$7 million in 1995) are reported as expenditures in the Statement of Revenues and Expenditures.

Receipts and other credits of \$17 million (\$19 million in 1995), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to \$50,000 by Treasury Board Submission No 817667 dated December 12, 1991.

Section 58 states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

Fishing Vessel Insurance Plan

The Fishing Vessel Insurance Plan is administered in accordance with Vote 540, *Appropriation Act No. 5, 1955*, extended by Vote 527, *Appropriation Act No. 6, 1956* and Vote L38b, *Appropriation Act No. 1, 1970*, to insure fishermen against abnormal capital losses. The account is credited with premiums and recoveries, and with advances in accordance with the regulations, such advances not to exceed \$150,000 at any time. The account is charged with indemnities, refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen where the collision involves a vessel insured under the Fishing Vessel Insurance Plan.

Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

Ship-Source Oil Pollution Fund

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

Other Specified Purpose Accounts

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$14 million (\$11 million in 1995) are reported as revenues, while payments and other charges to outside parties of \$4 million (\$7 million in 1995) are reported as expenditures in the Statement of Revenues and Expenditures.

Receipts and other credits of \$57,989 (\$117,147 in 1995), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Alexander Graham Bell National Historic Site

This account was established to accept donations from various companies of the Canadian telecommunications industry for the redevelopment of the Alexander Graham Bell National Historic Site. These donations will be used for the construction of facilities for disabled visitors in addition to improving the reception, orientation and special events services.

Claudia de Hueck Bequest Account

This account was established pursuant to section 15 of the *Science Council of Canada Act*, to record a bequest made by Mrs. Claudia de Hueck to be used to promote the study of humanities and for general educational purposes.

Marconi Celebration Trust Fund

This account was established for the purpose of raising moneys through public subscriptions and others to construct, operate and maintain a National Historic Site in Glace Bay, Nova Scotia to commemorate the efforts and accomplishments of Guglielmo Marconi in the field of wireless communications.

National Archives of Canada—Donations

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts received for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

National Battlefields Commission—Trust Fund Account

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The moneys are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its Act of incorporation. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

National Library—Special Operating Account

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all money received for the purpose of the National Library by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

Endangered Species—Donations

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to Endangered Species.

Fish Habitat Restoration Account

This account was established pursuant to section 79(2) of the *Fisheries Act*, for a specified purpose; this purpose being:

Québec: Together with the "Fondation de la faune du Québec" and the Department of Leisure, Fish and Game of Quebec, the restoration of wildlife habitats, notably wetlands, water levels control, acquisition of shorelands, restoration of spawning grounds damaged by encroachment on the St.Lawrence River and release of trout and other fish species in these spawning grounds being restored;

Northwest Territories: To promote the conservation of fish or fish habitat in the waters of or adjacent to the Northwest Territories. It may include the design, construction or operation of an aquarium at Iqualuit or the funding or conduct of programs approved by the Department of Environment Canada related to sewage waste treatment and disposal in relation to the Northwest Territories ; and,

Manitoba: To promote the conservation of fish or fish habitat in or adjacent to the Winnipeg River System.

Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During 1995-96, no claims have been received for potential payments from the holdback.

Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under subsection 79.2 (f) of the Act.

Friends of Rideau Hall Account

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund Heritage projects.

Sioux Lookout Zone Hospital

This account was established to record transactions relating to a donation made by the Hospital for Sick Children Foundation to be used to finance a paediatric play program volunteer service at Sioux Lookout Zone Hospital.

Dawson City Nursing Station—Father Judge Memorial

The account was established to record an amount received as an unconditional gift for use at Dawson City Nursing Station—Father Judge Memorial. The gift given by Mr. Ole Sigur Lunde of Dawson City, Yukon Territory will be disbursed for the specified purpose (i.e. Dawson City Nursing Station—Father Judge Memorial) in accordance with the mandate of Health Canada.

Medical Research Council — Donations for Research

This account was established under section 5(3) of the *Medical Research Council Act* to record donations and contributions received from organizations and individuals for biomedical research.

Canadian Centre for Occupational Health and Safety—Donations

This account was established pursuant to section 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record moneys, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

Indian Affairs and Northern Development—Environmental Studies Research Fund

This account was established pursuant to section 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

H.L. Holmes Fund

This account was established pursuant to section 13(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to Post-Doctoral students to study at world famous Graduate School or Research Institutes under outstanding research persons.

Natural Sciences and Engineering Research Council—Donation Trust Fund

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record monies, securities or other property received by way of gift, bequest or otherwise as approved by the Natural Sciences and Engineering Research Council. The account is charged with payments and with the disposal of such monies, securities or other property, subject to the terms upon which such monies are given, bequeathed or otherwise made available to the Council, and subject to the approval of the Council.

Natural Resources—Environmental Studies Research Fund

This account was established pursuant to section 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Flight Recorder Software Systems Account

This account was established to record donations in the form of cash from other government safety organizations who have acquired a software system which was developed by the Canadian Transportation Accident Investigation and Safety Board for use in aircraft accident investigations for the purpose of advancing aviation safety.

National Round Table on the Environment and Economy—Donations

This account was established to record grants and donations received from third parties, and expenses to finance various studies related to the principles of sustainable development in Canada and internationally.

Seized Property Proceeds Account

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

Fines for the Transportation of Dangerous Goods

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

SUPPLEMENTARY STATEMENT

Unemployment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The following financial statements have been prepared by Management of the Canada Employment and Insurance Commission (formerly the Canada Employment and Immigration Commission) in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and the estimates of importance in these financial statements are Management's responsibility. Management is also responsible for all other information in the departmental annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements of the Unemployment Insurance Account.

In support of its responsibility, Management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, and to ensure that transactions are in accordance with the *Unemployment Insurance Act and Regulations*, as well as the *Financial Administration Act and Regulations*.

The Unemployment Insurance Account's external auditor, the Auditor General of Canada, audits the operations and financial statements and reports to the Minister of Human Resources Development.

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Unemployment Insurance Account as at December 31, 1995 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Management of the Canada Employment and Insurance Commission (formerly the Canada Employment and Immigration Commission). My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Unemployment Insurance Account as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 19, 1996

MEL CAPPE
Chairperson

DAVID A. GOOD
Assistant Deputy Minister
Financial and Administrative Services

July 19, 1996

Unemployment Insurance Account—Continued**BALANCE SHEET AS AT DECEMBER 31, 1995**

(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES AND SURPLUS	1995	1994
Balance of the account with Receiver General for Canada	931,107	68,481	Unredeemed warrants	235,187	217,965
Premiums receivable	454,892	377,091	Amounts payable (Note 4)	263,306	187,745
Due from claimants (Note 3)	361,277	380,362	Accrued benefits	582,744	616,190
			Advances from Canada (Note 5)		3,405,264
			Surplus (Deficit)	1,081,237	4,427,164
	1,747,276	825,934			
				1,747,276	825,934

The accompanying notes and schedule are an integral part of these financial statements.

Approved by the Commission:

MEL CAPPE
Chairperson

DAVID A. GOOD
Assistant Deputy Minister
Financial and Administrative Services

STATEMENT OF OPERATIONS AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1995

(in thousands of dollars)

	1995	1994
Revenue		
Premiums (Note 6)	19,179,892	19,327,091
Penalties	83,446	82,284
Interest on the balance of the account with Receiver General for Canada	27,621	15,173
	19,290,959	19,424,548
Expenses		
Benefits and developmental uses programs (Note 7 and Schedule I)	13,504,986	15,463,452
Administration costs (Note 8)	1,331,081	1,293,581
Interest on advances from Canada	109,671	325,284
Doubtful debts	77,952	59,474
	15,023,690	17,141,791
Surplus for the year	4,267,269	2,282,757
Deficit at beginning of the year	(3,601,230)	(5,883,987)
Surplus (Deficit) at the end of the year	666,039	(3,601,230)

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995**1. Authority, objective and responsibilities**

The Canada Employment and Immigration Commission, a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Unemployment Insurance Act* (the Act). The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Unemployment Insurance Account.

The Unemployment Insurance Account was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments to be received from higher income claimants. Under the terms of the Act, a claimant with higher income is one whose income exceeds 1.5 times the maximum yearly insurable earnings.

Unemployment Insurance Account—ContinuedNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—Continued**2. Accounting policies**

All financial transactions affecting the Unemployment Insurance Account are governed by the Act and/or the Regulations.

a) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

b) Premiums

Premiums are based on an estimate of the amount to be collected that relates to the year and include adjustments between actual and estimated premiums of previous years.

c) Benefits

Benefits represent the benefits to be paid to claimants for the period of unemployment during the year less benefit overpayments established by the Commission during the year, and estimated benefit repayments to be received from higher income claimants.

d) Administration costs

The costs of administration of the Act are based on an estimate of actual costs incurred by the Commission during the year for administrating the Unemployment Insurance Account.

3. Due from claimants

	1995	1994
	(in thousands of dollars)	
Balance of benefit overpayments and penalties	573,821	529,801
Less: allowance for doubtful debts	235,682	197,834
	<hr/>	<hr/>
Estimated benefit repayments to be received from higher income claimants	338,139	331,967
	<hr/>	<hr/>
	23,138	48,395
	<hr/>	<hr/>
	361,277	380,362
	<hr/>	<hr/>

Uncollectable benefit overpayments and penalties written off during the year amounted to \$40 million (\$31 million in 1994).

Continuous efforts have been made by the Commission in detecting overpayments on claims processed during the current and preceding years and, where necessary, imposing penalties. During 1995, overpayments and penalties totalling \$432 million (\$442 million in 1994) were established. During the year, \$348 million have been recovered (\$343 million in 1994).

4. Amounts payable

	1995	1994
	(in thousands of dollars)	
To Canada		
Administration costs	131,818	36,866
Course and program costs and supplementary allowances	115,612	133,321
Tax deductions from warrants	9,081	8,888
Recoupments from warrants	2,129	2,116
	<hr/>	<hr/>
	258,640	181,191
To provinces		
Recoupments from warrants	2,947	5,615
Quebec tax deductions from warrants	1,719	939
	<hr/>	<hr/>
	4,666	6,554
	<hr/>	<hr/>
	263,306	187,745

5. Advances from Canada

Where the balance of the Account is insufficient for the payment of benefits and costs of administration of the Act, the Minister of Finance, when requested by the Commission, may authorize the advance of funds from the Consolidated Revenue Fund.

These advances are contracted by means of promissory notes which bear interest at an annual rate compounded semi-annually. The advances, bearing interest at rates varying from 4.38 percent to 8.13 percent, were completely reimbursed during the current year and the balance as at December 31 consisted of:

	1995	1994
	(in thousands of dollars)	
Principal repayable in:		
1995	667,000	
1996	<hr/>	2,615,000
	<hr/>	<hr/>
	3,282,000	
Accrued interest	<hr/>	123,264
	<hr/>	<hr/>
	3,405,264	

Unemployment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—Continued

6. Premiums

Premiums are established based on an estimate of insurable earnings for 1995. Calculation of insurable earnings is based on a formula using many factors such as previous year's total insurable earnings, the growth in the number of paid workers and in the average weekly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may happen. For 1995, a variation of one percentage point in insurable earnings would result in a change of \$195 million in premiums.

Actual amounts for insurable earnings and premiums for 1995 will be known only when Revenue Canada has processed all employer declarations of premiums for 1995. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in 1995 for the previous years amounted to \$358 million (\$332 million in 1994).

Premium rates for each \$100 of insurable earnings were as follows:

	1995	1994
	(in dollars)	
For employees	3.00	3.07
For employers (calculated at 1.4 times the employee rate).....	4.20	4.30

Qualified Wage Loss Insurance Plans

Employers with qualified wage loss insurance plans are entitled to premium reductions. Employers are required to share this reduction with their employees. In 1995, the total amount of reductions is estimated at \$543 million (actual reductions of \$546 million in 1994).

7. Estimated overpayments and underpayments of benefits

The large number of claimants to be monitored and the need for prompt service require a selective rather than universal application of internal control procedures. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefit payouts. For benefits paid during 1995, these undetected overpayments and underpayments amounted to \$389 million and \$164 million respectively (\$381 million and \$191 million in 1994). As indicated in Note 3, continuous efforts are made by the Commission to detect, establish, and recover overpayments.

8. Administration costs

	1995	1994
	(in thousands of dollars)	
Administration costs by activity		
Unemployment Insurance	546,813	496,332
Employment.....	278,986	279,714
Corporate management and administration	236,982	283,282
CEC management and joint services.....	218,228	198,841
Systems and procedures	32,682	25,522
Policy and communications.....	24,458	16,267
	<hr/> 1,338,149	<hr/> 1,299,958
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards	7,068	6,377
	<hr/> 1,331,081	<hr/> 1,293,581

Administration costs—related party transactions

The administration costs include \$104.5 million (\$117.9 million in 1994) charged by Public Works and Government Services Canada for accommodation and rental costs and \$72.5 million (\$46.9 million in 1994) by Revenue Canada for collecting premiums from employers and employees.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of business.

9. Subsequent events

The legislation to create a new Employment Insurance (EI) system came into force on July 1, 1996. The new *Employment Insurance Act* replaces the *Unemployment Insurance Act* and the *National Training Act*. The Employment Insurance consists of a two part re-employment system: (i) redesigned income benefits that will provide temporary support for claimants while they look for work and, (ii) active re-employment benefits and support measures to help unemployed workers adjust to economic change. The new system includes changes in eligibility criteria and the maximum claim period; a new intensity rule reducing the benefit rate will apply to claimants who make extensive use of EI. The legislation also allows for new partnerships to be created with provinces for labour market training.

Unemployment Insurance Account—Concluded

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—Concluded

The *Department of Human Resources Development Act*, which formally establishes the Department, came into force on July 12, 1996. The legislation changes the year end of the Account from a calendar to a fiscal year. This change will take effect beginning with the 1996-97 fiscal year.

10. Financial statement presentation

The Unemployment Insurance Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Unemployment Insurance Account are also presented in Volume 1 of the *Public Accounts of Canada*.

It is management's opinion that a statement of changes in financial position for the Account is not necessary since information concerning operational and financing activities, and their effects on cash resources, are readily apparent in the Statement of Operations and Surplus, and are adequately disclosed in the notes to the financial statements. The Account is not involved in any investment activities.

SCHEDULE I
BENEFITS AND DEVELOPMENTAL USES PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Benefits		
Regular	9,708,647	11,755,509
Maternity	765,025	773,257
Parental	473,459	475,705
Sickness	430,140	414,721
Fishing	228,615	245,744
Adoption	5,812	4,768
	<hr/> 11,611,698	<hr/> 13,669,704
Developmental Uses		
Programs		
Work sharing benefits	14,398	21,499
Job creation benefits	147,640	117,018
Training benefits	920,055	939,939
Course and training program costs	554,082	535,974
Supplementary training allowances	86,058	83,346
Self-employment assistance benefits	167,800	124,464
Self-employment assistance project costs	26,675	20,209
	<hr/> 1,916,708	<hr/> 1,842,449
Benefits and Developmental Uses Programs	<hr/> 13,528,406	<hr/> 15,512,153
Less: benefit repayments by higher income claimants	23,420	48,701
	<hr/> 13,504,986	<hr/> 15,463,452

Benefit Rates

On July 3, 1994, a two-level benefit rate came into effect: 60 percent of insured earnings to claimants with dependants and low insured earnings, and 55 percent of insured earnings for all other claimants. From January 1 to July 2, 1994, benefits paid represented the lesser of 57 percent of insurable earnings, or \$445 per week. The maximum weekly benefits were \$448 per week in 1995 (\$429 per week from July 3 to December 31, 1994).

Developmental Uses Programs

In addition to paying developmental uses benefits, the Account pays other expenses for claimants involved in training activities to improve their employability. Course, program, and project costs are paid to provincial governments, program coordinators, and other organizations. Claimants may also be entitled to supplementary training allowances to cover the costs of caring for dependant children, travelling to and from training centres, living away from home, and arrangements or equipment that enable persons with disabilities to participate in training.

SECTION 5

1995-96

PUBLIC ACCOUNTS OF CANADA

Current Liabilities and Allowances

CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities	5.4
Interest and matured debt	5.9
Allowance for employee benefits	5.9
Allowance for loan guarantees and borrowings of Crown corporations	5.10

CURRENT LIABILITIES AND ALLOWANCES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Current Liabilities and Allowances". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent current liabilities set up at year end under the authority granted to the President of the Treasury Board in the *Financial Administration Act*.

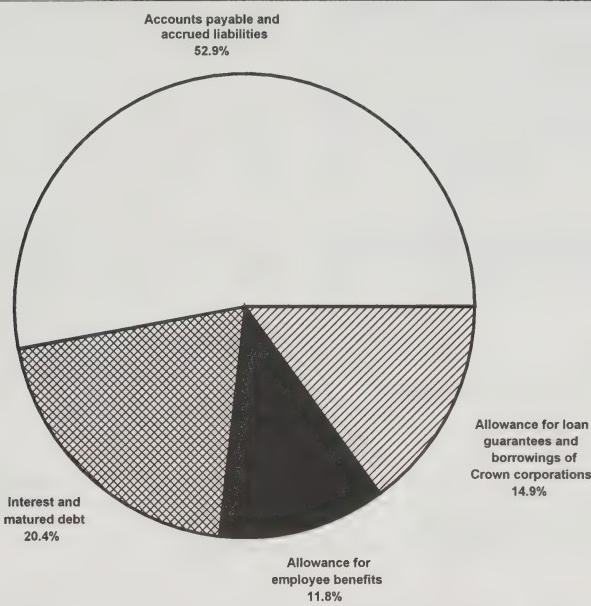
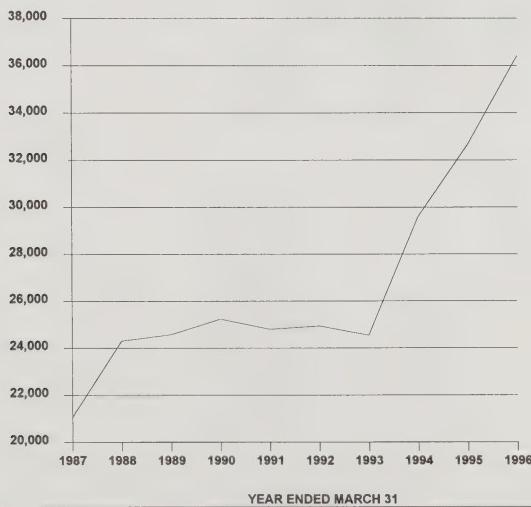
Table 5.1 presents the year-end balances of current liabilities and allowances by category. Chart 5A presents current liabilities and allowances by category for the current fiscal year, while Chart 5B compares current liabilities and allowances for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 5.1
CURRENT LIABILITIES AND ALLOWANCES

	April 1/1995	March 31/1996
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	18,390,346,955	19,276,100,909
Interest and matured debt, Table 5.4	4,830,736,584	7,402,530,392
Allowance for employee benefits.....	3,730,000,000	4,110,000,000
Add: consolidation adjustment ⁽¹⁾	180,000,000	180,000,000
Allowance for loan guarantees and borrowings of Crown corporations, Table 5.5.....	3,910,000,000	4,290,000,000
Total	5,540,000,000	5,440,000,000
	32,671,083,539	36,408,631,301

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

CHART 5A**CURRENT LIABILITIES AND ALLOWANCES BY CATEGORY FOR 1995-96****CHART 5B****CURRENT LIABILITIES AND ALLOWANCES
(in millions of dollars)**

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, the provincial and territorial tax collection agreements account, miscellaneous paylist deductions, deferred revenues, borrowings of consolidated Crown corporations, suspense accounts and other accounts.

Table 5.2 presents a summary of the balances for the accounts in this category of current liabilities and allowances.

TABLE 5.2
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/1995	March 31/1996
	\$	\$
Accounts payable	17,509,628,378	16,464,451,788
Add: consolidation adjustment ⁽¹⁾	466,475,000	1,036,401,348
17,976,103,378	<i>17,500,853,136</i>	
Provincial and territorial tax collection agreements account, Table 5.3	314,592,544	1,372,445,746
Miscellaneous paylist deductions	53,985,638	58,067,144
Deferred revenues		310,197,613
Borrowings of consolidated Crown corporations ⁽¹⁾	8,065,000	13,874,000
Suspense accounts	36,043,846	20,302,714
Other	1,556,549	360,556
Total	18,390,346,955	19,276,100,909

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

Provincial and territorial tax collection agreements account

This account records income taxes collected by the Government of Canada on behalf of provinces and territories pursuant to the *Federal-Provincial Fiscal Arrangements Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes.

The Government of Canada entered into agreements with provinces and territories (excluding Quebec), to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes.

Because the *Public Accounts of Canada* reports information on a April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.3 presents detailed information of the transactions, accumulated balances and the net position of the revenues collected and the payments made to the provinces and territories on a tax year basis for both corporation and personal income taxes.

TABLE 5.3

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1992	24,286,250,108		24,286,250,108	
Less: payments to provinces and territories—				
Newfoundland	456,627,539	456,627,539		
Prince Edward Island	106,928,450	106,928,450		
Nova Scotia	898,164,336	898,164,336		
New Brunswick	657,694,406	657,694,406		
Ontario	13,081,479,189	13,081,479,189		
Manitoba	1,040,006,764	1,040,006,764		
Saskatchewan	1,015,555,176	1,015,555,176		
Alberta	2,784,922,053	2,784,922,053		
British Columbia	4,152,921,265	4,152,921,265		
Yukon	29,995,374	29,995,374		
Northwest Territories	61,955,556	61,955,556		
	24,286,250,108	24,286,250,108		
Net collections (overpayments) of personal income taxes for 1992		24,286,250,108	24,286,250,108	
Personal income taxes collected by National				
Revenue for 1993	26,145,167,999		7,020	26,145,160,979
Less: payments to provinces and territories—				
Newfoundland	499,740,450			499,740,450
Prince Edward Island	107,749,593			107,749,593
Nova Scotia	905,156,370			905,156,370
New Brunswick	688,556,296			688,556,296
Ontario	14,428,877,881			14,428,877,881
Manitoba	1,157,036,261	68,366,225		1,088,670,036
Saskatchewan	1,111,765,162	49,929,118		1,061,836,044
Alberta	2,891,617,488			2,891,617,488
British Columbia	4,383,100,452			4,383,100,452
Yukon	29,294,731			29,294,731
Northwest Territories	71,055,692	5,576,000		65,479,692
	26,273,950,376	123,871,343		26,150,079,033
Net collections (overpayments) of personal income taxes for 1993	(128,782,377)	123,871,343	7,020	(4,918,054)

TABLE 5.3

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1994	27,992,589,000		790,256,760	27,202,332,240
Less: payments to provinces and territories—				
Newfoundland	513,932,000		4,187,207	518,119,207
Prince Edward Island	112,149,000	149,630		111,999,370
Nova Scotia	949,174,000	41,629,999		907,544,001
New Brunswick	736,399,000	690,990		735,708,010
Ontario	16,099,170,000	1,160,947,183		14,938,222,817
Manitoba	1,260,225,000	111,820,922		1,148,404,078
Saskatchewan	1,123,928,000		4,545,132	1,128,473,132
Alberta	2,991,088,000		913,738	2,992,001,738
British Columbia	4,686,864,000	53,816,214		4,633,047,786
Yukon	31,427,000	1,679,930		29,747,070
Northwest Territories	65,973,000	6,906,980		59,066,020
	28,570,329,000	1,377,641,848	9,646,077	27,202,333,229
Net collections (overpayments) of personal income taxes for 1994	(577,740,000)	1,377,641,848	799,902,837	(989)
Personal income taxes collected by National				
Revenue for 1995	4,893,376,000	24,902,405,352		29,795,781,352
Less: payments to provinces and territories—				
Newfoundland	80,052,000		465,235,000	545,287,000
Prince Edward Island	17,472,000		101,793,000	119,265,000
Nova Scotia	145,278,000		789,811,000	935,089,000
New Brunswick	114,457,000		667,334,000	781,791,000
Ontario	2,517,333,000		14,356,036,000	16,873,369,000
Manitoba	195,391,000		1,129,951,000	1,325,342,000
Saskatchewan	170,086,000		978,448,000	1,148,534,000
Alberta	465,423,000		2,712,572,000	3,177,995,000
British Columbia	731,395,000		4,241,999,000	4,973,394,000
Yukon	4,907,000		26,420,000	31,327,000
Northwest Territories	10,451,000		61,144,000	71,595,000
	4,452,245,000		25,530,743,000	29,982,988,000
Net collections (overpayments) of personal income taxes for 1995	441,131,000	24,902,405,352	25,530,743,000	(187,206,648)
Personal income taxes collected by National				
Revenue for 1996		5,425,213,436		5,425,213,436
Less: payments to provinces and territories—				
Newfoundland		84,210,000		84,210,000
Prince Edward Island		18,494,000		18,494,000
Nova Scotia		144,543,000		144,543,000
New Brunswick		120,281,000		120,281,000
Ontario		2,607,976,000		2,607,976,000
Manitoba		204,036,000		204,036,000
Saskatchewan		175,322,000		175,322,000
Alberta		486,703,000		486,703,000
British Columbia		769,356,000		769,356,000
Yukon		4,802,000		4,802,000
Northwest Territories		11,312,000		11,312,000
		4,627,035,000		4,627,035,000
Net collections (overpayments) of personal income taxes for 1996		5,425,213,436	4,627,035,000	798,178,436
Total personal income taxes on hand	(265,391,377)	56,115,382,087	55,243,937,965	606,052,745

TABLE 5.3

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1995	Receipts and	Payments and	March 31/1996
		other credits	other charges	
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1992	1,076,359,303			1,076,359,303
Less: payments to provinces and territories—				
Newfoundland	43,767,259	43,767,259		
Prince Edward Island	14,582,972	14,582,972		
Nova Scotia	46,947,309	46,947,309		
New Brunswick	80,512,322	80,512,322		
Quebec	26,135,326	26,135,326		
Ontario	55,543,014	55,543,014		
Manitoba	99,070,959	99,070,959		
Saskatchewan	103,099,954	103,099,954		
Alberta	11,686,882	11,686,882		
British Columbia	570,509,218	570,509,218		
Yukon	6,544,649	6,544,649		
Northwest Territories	17,959,439	17,959,439		
	1,076,359,303	1,076,359,303		
Net collections (overpayments) of corporation income taxes for 1992				
	1,076,359,303		1,076,359,303	
Corporation income taxes collected by National				
Revenue for 1993	1,476,035,380			1,476,035,380
Less: payments to provinces and territories—				
Newfoundland	43,417,966			43,417,966
Prince Edward Island	15,587,447			15,587,447
Nova Scotia	97,442,653			97,442,653
New Brunswick	139,012,155			139,012,155
Quebec	22,061,665			22,061,665
Ontario	31,166,595	37,055,921		68,222,516
Manitoba	126,397,504			126,397,504
Saskatchewan	115,137,124			115,137,124
Alberta	12,627,257			12,627,257
British Columbia	800,683,512			800,683,512
Yukon	10,016,862			10,016,862
Northwest Territories	25,428,719			25,428,719
	1,438,979,459		37,055,921	1,476,035,380
Net collections (overpayments) of corporation income taxes for 1993				
	37,055,921		37,055,921	
Corporation income taxes collected by National				
Revenue for 1994	1,538,932,000	230,295,042		1,769,227,042
Less: payments to provinces and territories—				
Newfoundland	48,919,000		12,640,537	61,559,537
Prince Edward Island	16,394,000	863,890	292,826	15,822,936
Nova Scotia	84,192,000	3,915,538	1,947,084	82,223,546
New Brunswick	99,848,000		6,966,756	106,814,756
Quebec			24,723,743	24,723,743
Ontario			73,260,410	73,260,410
Manitoba	167,645,000	8,662,935	7,385,466	166,367,531
Saskatchewan	143,312,000		44,730,850	188,042,850
Alberta			14,439,483	14,439,483
British Columbia	805,609,000		197,248,279	1,002,857,279
Yukon	10,031,000	2,240,908	193,550	7,983,642
Northwest Territories	31,396,000	6,605,144	340,420	25,131,276
	1,407,346,000	22,288,415	384,169,404	1,769,226,989
Net collections (overpayments) of corporation income taxes for 1994				
	131,586,000	252,583,457	384,169,404	53

TABLE 5.3**PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Concluded**

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1995	559,950,000	1,344,655,569		1,904,605,569
Less: payments to provinces and territories—				
Newfoundland	4,438,000		45,983,000	50,421,000
Prince Edward Island	1,602,000		16,783,000	18,385,000
Nova Scotia	9,106,000		94,817,000	103,923,000
New Brunswick	9,582,000		96,220,000	105,802,000
Manitoba	16,276,000		165,894,000	182,170,000
Saskatchewan	14,340,000		181,177,000	195,517,000
British Columbia	89,150,000		933,283,000	1,022,433,000
Yukon	1,140,000		11,999,000	13,139,000
Northwest Territories	2,974,000		31,268,000	34,242,000
	148,608,000		1,577,424,000	1,726,032,000
Net collections (overpayments) of corporation income taxes for 1995	411,342,000	1,344,655,569	1,577,424,000	178,573,569
Corporation income taxes collected by National				
Revenue for 1996		746,383,379		746,383,379
Less: payments to provinces and territories—				
Newfoundland			4,170,000	4,170,000
Prince Edward Island			1,680,000	1,680,000
Nova Scotia			8,870,000	8,870,000
New Brunswick			10,538,000	10,538,000
Manitoba			17,780,000	17,780,000
Saskatchewan			15,738,000	15,738,000
British Columbia			96,234,000	96,234,000
Yukon			1,036,000	1,036,000
Northwest Territories			2,518,000	2,518,000
			158,564,000	158,564,000
Net collections (overpayments) of corporation income taxes for 1996		746,383,379	158,564,000	587,819,379
Total corporation income taxes on hand	579,983,921	3,419,981,708	3,233,572,628	766,393,001
Total	314,592,544	59,535,363,795	58,477,510,593	1,372,445,746

Miscellaneous paylist deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

Deferred revenues

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year.

Borrowings of consolidated Crown corporations

This account records the unconditional obligations of the Government for the consolidated Crown corporations.

Suspense accounts

Accounts in which transactions are recorded temporarily, pending their ultimate disposition.

Other

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized premiums, discounts and commissions on unmatured debt.

Table 5.4 presents a summary of the balances for the accounts in this category of current liabilities and allowances.

TABLE 5.4
INTEREST AND MATURED DEBT

	April 1/1995	March 31/1996
	\$	\$
Interest due	3,691,386,658	4,219,115,320
Interest accrued	6,185,328,938	6,604,662,561
Matured debt	176,988,674	135,476,983
	<hr/>	<hr/>
Less: unamortized discounts on Canada bills	10,053,704,270	10,959,254,864
unamortized discounts on Treasury bills	86,585,073	76,360,069
unamortized discounts and premiums on marketable bonds	3,664,704,196	2,886,176,549
unamortized commissions on Canada savings bonds	1,392,378,928	531,610,865
	79,299,489	62,576,989
	<hr/>	<hr/>
Total	5,222,967,686	3,556,724,472
	<hr/>	<hr/>
	4,830,736,584	7,402,530,392

Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to non-tax revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenditures. Discounts and premiums are amortized to expenditures over the life of the bonds.

Unamortized commissions on Canada savings bonds

This account records the portion of the commissions on outstanding Canada savings bonds which has not yet been charged to expenditures. Commissions are amortized to expenditures over the life of the bonds.

Allowance for Employee Benefits

This account records allowances for amounts owing for earned and unpaid annual vacation leave and compensation time, for employee benefits payable upon termination of employment and for unsigned pay adjustments.

Allowance for Loan Guarantees and Borrowings of Crown Corporations

This category of current liabilities and allowances includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.5 presents a summary of the balances for the accounts in this category of current liabilities and allowances.

TABLE 5.5**ALLOWANCE FOR LOAN GUARANTEES AND BORROWINGS OF CROWN CORPORATIONS**

	April 1/1995	March 31/1996
Allowance for loan guarantees	\$ 1,250,000,000	\$ 1,250,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations	22,916,088,000	25,370,185,000
Less: borrowings expected to be repaid by these enterprise Crown corporations	18,626,088,000	21,180,185,000
	<i>4,290,000,000</i>	<i>4,190,000,000</i>
Total	5,540,000,000	5,440,000,000

Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent enterprise Crown corporations expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

SECTION 6

1995-96

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

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INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year, while Chart 6B compares interest-bearing debt for the last ten fiscal years.

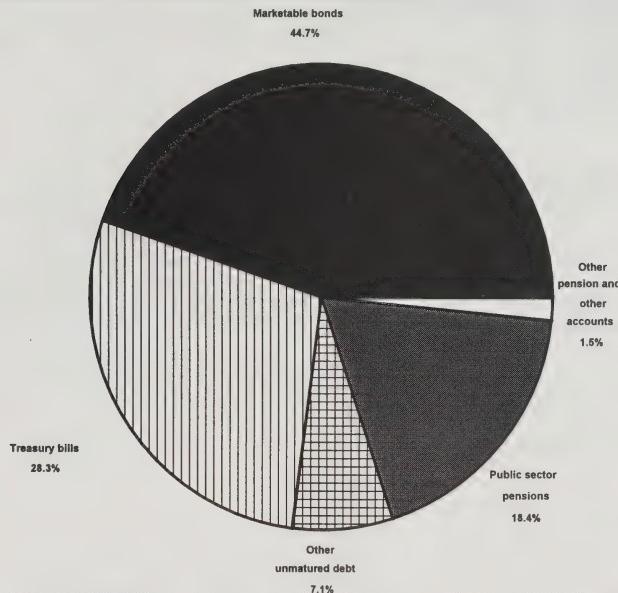
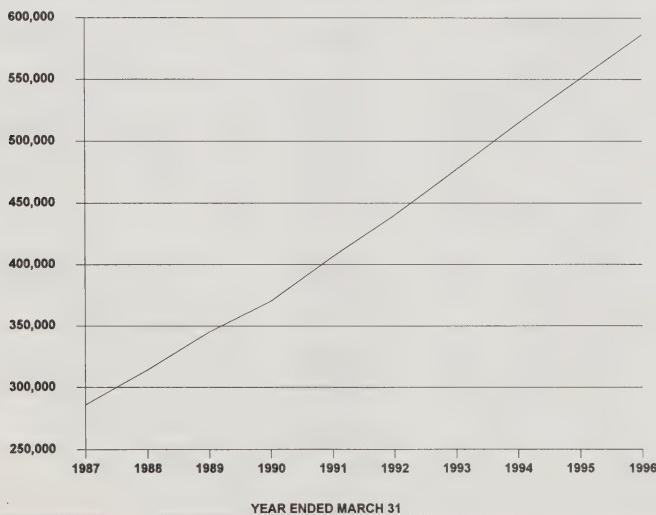
TABLE 6.1
INTEREST-BEARING DEBT

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Unmatured debt⁽¹⁾—				
Payable in Canadian currency—				
Marketable bonds, Table 6.2.....	225,678,482,254	52,071,751,733	25,050,290,000	252,699,943,987
Treasury bills, Table 6.3	164,450,000,000	390,300,000,000	388,650,000,000	166,100,000,000
Canada savings bonds, Table 6.4	30,460,093,058	4,723,378,594	4,723,540,123	30,459,931,529
Bonds for Canada Pension Plan, Table 6.5	3,488,451,000	1,379,444,000	1,389,661,000	3,478,234,000
	424,077,026,312	448,474,574,327	419,813,491,123	452,738,109,516
Payable in foreign currencies—				
Marketable bonds, Table 6.2.....	7,874,802,540	4,077,300,000	2,438,402,540	9,513,700,000
Canada bills, Table 6.6	9,046,123,231	23,451,691,275	25,512,264,758	6,985,549,748
Canada notes, Table 6.7.....	16,920,925,771	310,078,665	27,839,069,940	310,178,665
Total—Unmatured debt	440,997,952,083	476,313,644,267	447,764,158,421	469,547,437,929
Pension and other accounts—				
Public sector pensions, Table 6.12—				
Superannuation accounts	101,607,469,048	13,541,459,270	4,772,978,106	110,375,950,212
Allowance for pension adjustments	(575,000,000)	987,000,000	2,906,000,000	(2,494,000,000)
	101,032,469,048	14,528,459,270	7,678,978,106	107,881,950,212
Canada Pension Plan, Table 6.21—				
Canada Pension Plan Account	40,372,827,042	14,982,937,133	16,188,269,289	39,167,494,886
Less: securities held by the Canada Pension Plan				
Investment Fund	36,966,772,000	1,435,875,000	16,188,269,289	35,530,897,000
	3,406,055,042	16,418,812,133	16,188,269,289	3,636,597,886
Other—				
Government Annuities Account	693,085,531	52,754,169	94,097,318	651,742,382
PLI Fixed Link	726,000,000	46,838,000	—	772,838,000
Deposit and trust accounts, Table 6.23	1,190,043,518	1,160,162,456	1,079,280,055	1,270,925,919
Other specified purpose accounts, Table 6.26	2,145,901,600	1,230,521,603	750,513,431	2,625,909,772
	4,755,030,649	2,490,276,228	1,923,890,804	5,321,416,073
Total—Pension and other accounts	109,193,554,739	33,437,547,631	25,791,138,199	116,839,964,171
Total	550,191,506,822	509,751,191,898	473,555,296,620	586,387,402,100

⁽¹⁾ This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.11.

CHART 6A

INTEREST-BEARING DEBT BY CATEGORY FOR 1995-96

**CHART 6B**INTEREST-BEARING DEBT
(in millions of dollars)

UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1996.

TABLE 6.2
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
\$							
<i>Payable in Canadian currency—</i>							
<i>Matured 1995-96</i>							
1995—Apr 1	11.25	Feb 19/85-May 1/85					
		May 22/85	H54	1,350,000,000		1,350,000,000	
June 1	10.5	June 12/85-July 1/85					
		July 23/85-Sept 1/85					
		Mar 15/90-April 11/90	H162	3,100,000,000		3,100,000,000	
Sept 15	6.25	June 15/93-Sept 15/93	A62	4,300,000,000		4,300,000,000	
Oct 1	6.5	Oct 1/68	F33	100,000,000		100,000,000	
Oct 1	10	Oct 1/75-Dec 15/75					
		Feb 1/76-Apr 1/76	F97	652,375,000		652,375,000	
Nov 1	8.25	May 8/92	A52	1,500,000,000		1,500,000,000	
Dec 15	10.75	Oct 1/85-Oct 23/85					
		Nov 15/85-Mar 15/89					
		July 26/90-Aug 1/90					
		Aug 28/90	H167	3,050,000,000		3,050,000,000	
1996—Feb 1	6	Aug 4/92-Jan 6/93	A54	3,500,000,000		3,500,000,000	
Mar 1	10.25	Feb 6/86-Dec 15/87					
		Sept 22/88-Oct 1/90					
		Dec 15/90-Feb 1/91					
		Feb 14/91	H76	2,600,000,000		2,600,000,000	
Mar 15	4.75	Dec 15/93-Mar 15/94	A71	4,900,000,000		4,900,000,000	
				25,052,375,000		25,052,375,000	

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
Maturing 1996-97				\$	\$	\$	\$
1996—May 1	9.25	Apr 10/86-June 1/87 July 1/87-Mar 31/88 July 27/89-Aug 31/89	H80	3,300,000,000			3,300,000,000
June 1	8.75	Apr 28/86-May 22/86 July 24/86-Oct 1/86 Dec 15/86-May 1/87	H84	2,175,000,000			2,175,000,000
Aug 1	6.5	Apr 13/93-July 13/93	A59	3,800,000,000			3,800,000,000
Sept 15	3	Sept 15/36	P1	55,000,000			55,000,000
Sept 15	7.75	June 15/94-Sept 15/94	A74	5,100,000,000			5,100,000,000
Oct 1	9.25	May 1/91-June 20/91 July 1/91-Sept 1/91 Sept 19/91	A42	3,425,000,000			3,425,000,000
1997—Mar 1	8.25	Jan 29/87-Feb 19/87 Mar 15/87-Oct 31/91	H97	3,400,000,000			3,400,000,000
Mar 15	8	Nov 28/91-Dec 15/91 Dec 15/94-Mar 15/95	A78	4,800,000,000			4,800,000,000
				26,055,000,000			26,055,000,000
Maturing 1997-98							
1997—May 15	9.25	May 15/77-July 1/77 Sept 1/77-Feb 1/78	J9	876,000,000			876,000,000
July 1	7.5	Feb 1/92-June 1/92					
		July 1/92	A50	4,200,000,000			4,200,000,000
Sept 15	7	June 15/95-Sept 15/95	A82		5,400,000,000		5,400,000,000
Oct 1	9.75	Aug 13/87-Sept 1/87					
		Nov 15/87-Feb 1/88					
		May 12/88-Jan 4/90					
		Feb 21/91	A8	2,775,000,000			2,775,000,000
1998—Feb 1	6.25	Sept 1/92-Oct 15/92					
		Dec 1/92-Mar 5/93	A56	6,600,000,000			6,600,000,000
Mar 15	3.75	Sept 15/56	T15 ⁽²⁾	197,045,000			197,045,000
Mar 15	6	Dec 15/95-Mar 15/96	VT87		5,700,000,000		5,700,000,000
Mar 15	10.75	Oct 15/87-Mar 15/89					
		Apr 13/89-Aug 16/90	A10	2,225,000,000			2,225,000,000
				16,873,045,000			27,973,045,000
Maturing 1998-99							
1998—Sept 1	6.5	May 1/93-June 1/93 Sept 1/93-Oct 29/93	A60	6,800,000,000			6,800,000,000
Oct 1	9.5	June 30/88-July 21/88					
		Nov 15/88-July 1/89					
		Aug 15/91	A17	3,100,000,000			3,100,000,000
Nov 1	8	Apr 18/95-July 17/95	A80		5,100,000,000		5,100,000,000
Dec 1	10.25	Sept 1/88-Oct 15/88					
		Dec 15/88-Jan 26/89	A18	2,275,000,000			2,275,000,000
1999—Mar 1	5.75	Dec 1/93-Dec 29/93					
		Mar 1/94	A70	6,700,000,000			6,700,000,000
				18,875,000,000			23,975,000,000
Maturing 1999-2000							
1999—Sept 1	7.75	Apr 15/94-June 1/94					
		July 4/94-Sept 1/94	A73	8,500,000,000			8,500,000,000
Oct 15	9	Oct 15/77-Dec 15/77	J13	527,500,000			527,500,000
Dec 1	13.5	Dec 1/80	J53	400,000,000			400,000,000
Dec 1	9.25	Sept 21/89-Oct 1/89					
		Nov 16/89-Dec 15/89	A27	2,825,000,000			2,825,000,000
2000—Mar 1	8.5	Oct 1/94-Dec 1/94					
		Mar 1/95	A77	6,500,000,000			6,500,000,000
Mar 15	13.75	Mar 31/80-Mar 1/81					
		Mar 31/81-Oct 15/82	J39	1,050,000,000			1,050,000,000
				19,802,500,000			19,802,500,000

TABLE 6.2**MARKETABLE BONDS—Continued**

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
				\$	\$	\$	\$
Maturing 2000-01							
2000—May 1	9.75	Feb 1/90-Feb 15/90	A30	1,575,000,000			1,575,000,000
July 1	10.5	Mar 15/90-Mar 29/90					2,900,000,000
		June 21/90-Aug 1/90	A32	2,900,000,000			175,000,000
July 1	15	July 1/81	J70	175,000,000			1,200,000,000
Sept 1	11.5	May 1/90-Nov 1/90	A33	1,200,000,000			
Sept 1	7.5	June 1/95-July 4/95					
		Sept 1/95	A81		7,600,000,000		7,600,000,000
Dec 15	9.75	Dec 15/78	J22	500,000,000			500,000,000
2001—Feb 1	15.75	June 1/81-July 31/81	J66	425,000,000			425,000,000
Mar 1	10.5	Sept 20/90-Oct 1/90					
		Dec 15/90-Feb 1/91	A37	3,175,000,000			3,175,000,000
Mar 1	7.5	Oct 2/95-Dec 1/95					
		Jan 4/96-Mar 1/96	VR22		9,400,000,000		9,400,000,000
				9,950,000,000	17,000,000,000		26,950,000,000
Maturing 2001-02							
2001—May 1	13	May 1/80-Oct 1/80					
		Feb 1/81	J42	1,325,000,000			1,325,000,000
June 1	9.75	Feb 21/91-Mar 1/91					
		Mar 28/91-May 16/91	A40	3,550,000,000			3,550,000,000
Oct 1	9.5	Oct 1/76-Dec 1/76					
		Apr 1/78-May 15/78					
		July 1/78	J2	1,232,750,000			1,232,750,000
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000			3,850,000,000
2002—Feb 1	8.75	Feb 1/77	J7	213,000,000			213,000,000
Mar 15	15.5	Mar 31/82-May 1/82	J79	350,000,000			350,000,000
				10,520,750,000			10,520,750,000
Maturing 2002-03							
2002—Apr 1	8.5	Nov 14/91-Dec 15/91					
		Mar 1/92-May 1/92					
		July 15/92	A47	5,450,000,000			5,450,000,000
May 1	10	May 1/79-June 1/79					
		July 15/79	J25	1,850,000,000			1,850,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,625,000,000			1,625,000,000
2003—Feb 1	11.75	Feb 1/80-June 1/80					
		Aug 1/80-Feb 1/83					
		Apr 27/83-June 21/83					
		July 12/83	J35	2,700,000,000			2,700,000,000
				II,625,000,000			II,625,000,000
Maturing 2003-04							
2003—June 1	7.25	Sept 25/92-Oct 26/92					
		Nov 20/92-Jan 18/93					
		Feb 15/93	A57	6,900,000,000			6,900,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	670,500,000			670,500,000
Dec 1	7.5	May 21/93-July 1/93					
		Aug 16/93-Sept 28/93					
		Nov 15/93	A61	8,800,000,000			8,800,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79					
		Mar 21/79-Aug 15/79	J24	2,200,000,000			2,200,000,000
				18,570,500,000			18,570,500,000
Maturing 2004-05							
2004—June 1	13.5	Apr 1/84-May 1/84	I122	550,000,000			550,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
		Apr 1/94-May 1/94	A72	7,900,000,000			7,900,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	875,000,000			875,000,000
Dec 1	9	July 15/94-Aug 15/94					
		Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000

TABLE 6.2**MARKETABLE BONDS—Continued**

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
				\$	\$	\$	\$
2005—Mar 1	12	Oct 15/83-Nov 8/83 Dec 15/83-Feb 1/84 Feb 21/84-Dec 15/84	H9	1,775,000,000 <i>18,800,000,000</i>			1,775,000,000 <i>18,800,000,000</i>
Maturing 2005-06							
2005—Sept 1	12.25	Aug 1/83-Sept 1/83 Sept 27/83-Apr 10/85	H16	1,375,000,000			1,375,000,000
Dec 1	8.75	Apr 3/95-May 15/95 Aug 15/95-Nov 15/95	A79		8,000,000,000		8,000,000,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84 Mar 19/85	H18	975,000,000 <i>2,350,000,000</i>			975,000,000 <i>10,350,000,000</i>
Maturing 2006-07							
2006—Oct 1	14	June 1/84-July 11/84	H26	1,025,000,000			1,025,000,000
Dec 1	7	Aug 1/84 Feb 15/96-Mar 29/96	VU50		4,400,000,000		4,400,000,000
2007—Mar 1	13.75	June 19/84	H30	325,000,000 <i>1,350,000,000</i>			325,000,000 <i>5,750,000,000</i>
Maturing 2007-08							
2007—Oct 1	13	Aug 22/84-Sept 12/84	H36	700,000,000			700,000,000
2008—Mar 1	12.75	Oct 1/84-Oct 24/84	H41	750,000,000 <i>1,450,000,000</i>			750,000,000 <i>1,450,000,000</i>
Maturing 2008-09							
2008—June 1	10	Dec 15/85-Sept 1/87 Feb 1/88-Apr 14/88 June 1/88-July 21/88 Oct 15/88-Dec 15/88					
Oct 1	11.75	Feb 23/89-June 1/89	H74	3,450,000,000			3,450,000,000
2009—Mar 1	11.5	Feb 1/85-May 1/85 May 22/85	H52 H58	725,000,000 400,000,000 <i>4,575,000,000</i>			725,000,000 400,000,000 <i>4,575,000,000</i>
Maturing 2009-10							
2009—June 1	11	Oct 1/85-Oct 23/85	H68	925,000,000			925,000,000
Oct 1	10.75	Oct 15/87 June 12/85-July 1/85					
2010—Mar 1	9.75	Sept 1/85-Sept 1/88 Mar 15/86	H63 H79	1,300,000,000 325,000,000 <i>2,550,000,000</i>			1,300,000,000 325,000,000 <i>2,550,000,000</i>
Maturing 2010-11							
2010—June 1	9.5	Apr 10/86-July 1/87 July 1/89-Aug 10/89 Oct 1/89-Dec 15/89					
Oct 1	8.75	Feb 1/90 Apr 28/86	H81 H85	2,975,000,000 325,000,000			2,975,000,000 325,000,000
2011—Mar 1	9	July 3/86-Sept 2/86 Oct 23/86-Dec 15/86					
		May 1/87-Mar 15/88	H87	1,975,000,000 <i>5,275,000,000</i>			1,975,000,000 <i>5,275,000,000</i>
Maturing 2011-12							
2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	750,000,000			750,000,000
Maturing 2013-14							
2014—Mar 15	10.25	Mar 15/89-Mar 30/89 Mar 15/90-July 1/90					
		Aug 1/90-Feb 21/91	A23	3,150,000,000			3,150,000,000
Maturing 2015-16							
2015—June 1	11.25	May 1/90-May 31/90 Oct 1/90-Nov 15/90	A34	2,350,000,000			2,350,000,000

TABLE 6.2

MARKETABLE BONDS—Concluded

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
				\$	\$	\$	\$
Maturing 2019-20 2019—Dec 31	10.186	Mar 23/90	M1	8,436,324			8,436,324
Maturing 2020-21 2021—Mar 15	10.5	Dec 15/90-Jan 9/91 Feb 1/91	A39	1,800,000,000			1,800,000,000
Maturing 2021-22 2021—June 1	9.75	May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91 Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-Juin 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	A43	4,650,000,000			4,650,000,000
Dec 1	4.25 ⁽³⁾		L25	4,713,345,930 9,363,345,930	814,923,319 814,923,319		5,528,269,249 10,178,269,249
Maturing 2022-23 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	2,550,000,000			2,550,000,000
Maturing 2023-24 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000			8,200,000,000
Maturing 2025-26 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	3,900,000,000	5,000,000,000		8,900,000,000
Maturing 2026-27 2026—Dec 1	4.25 ⁽³⁾	Dec 7/95-Mar 6/96	L26		656,828,414		656,828,414
Less: Government's holdings				225,745,952,254 67,470,000	52,071,751,733	25,052,375,000 2,085,000	252,765,328,987 65,385,000
Total marketable bonds (Canadian currency)				225,678,482,254	52,071,751,733	25,050,290,000	252,699,943,987
Payable in foreign currencies—							
US dollars—							
1995—July 15	10.125	July 15/85		179,202,540		179,202,540	
Nov 21	10	Nov 21/85		699,600,000		699,600,000	
1996—Feb 27	9	Feb 27/86		1,399,200,000		1,399,200,000	
1997—July 7	6.5	July 7/94		2,798,400,000		80,200,000	2,718,200,000
1999—Feb 10 ⁽⁴⁾		Feb 10/94		2,798,400,000		80,200,000	2,718,200,000
2000—May 30	6.5	May 30/95			2,038,650,000		2,038,650,000
2005—July 21	6.375	July 21/95			2,038,650,000		2,038,650,000
Total marketable bonds (foreign currencies)				7,874,802,540	4,077,300,000	2,438,402,540	9,513,700,000
Total				233,553,284,794	56,149,051,733	27,488,692,540	262,213,643,987

⁽¹⁾ This column includes the translation of marketable bonds payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.⁽²⁾ Redeemable before maturity.⁽³⁾ The rate of return of this issue is linked to the Consumer Price Index for Canada.⁽⁴⁾ The rate of interest is variable throughout the year.

Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- common terms: 3 months, 6 months and 12 months;
- issued in Canadian currency only;
- transferable; and,
- bought and sold on the open market.

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1996 consists of \$2,900 million in odd issue bills; \$50,700 million in three-month bills; \$46,600 million in six-month bills; and, \$65,900 million in 364-day bills.

Table 6.3 presents a monthly summary of Treasury bill issues and redemptions.

TABLE 6.3
TREASURY BILLS
(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 1995	17,300	8,600	12,550	38,450	14,800	8,500	9,150	32,450	6,000
May	14,900	7,300	8,700	30,900	14,200	6,500	12,450	33,150	(2,250)
June	19,700	10,200	12,200	42,100	21,400	9,200	11,500	42,100	
July	14,900	8,700	8,650	32,250	17,300	7,300	10,900	35,500	(3,250)
August	18,600	11,300	7,000	36,900	18,900	8,900	7,750	35,550	1,350
September	16,000	9,000	5,300	30,300	15,700	8,500	4,700	28,900	1,400
October	16,000	8,000	4,400	28,400	14,900	8,600	4,900	28,400	
November	17,000	8,100	5,800	30,900	18,600	9,300	6,800	34,700	(3,800)
December	13,600	6,200	5,000	24,800	16,000	8,200	4,400	28,600	(3,800)
January, 1996	14,700	6,700	5,200	26,600	16,000	8,700	4,400	29,100	(2,500)
February	19,400	9,400	6,800	35,600	17,000	11,300	4,500	32,800	2,800
March	16,660	8,200	8,300	33,100	13,600	9,000	4,800	27,400	5,700
Balance at April 1, 1995	198,760	101,700	89,900	390,300	198,400	104,000	86,250	388,650	1,650
Balance at March 31, 1996									164,450
									166,100

Canada Savings Bonds

Canada savings bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;
- not subject to call before maturity; and,
- term to maturity of seven years or more.

Table 6.4 presents a summary of the balances and transactions for Canada savings bonds.

TABLE 6.4
CANADA SAVINGS BONDS

Maturity date	%	Issue date	Series	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
				\$	\$	\$	\$
1997—Nov 1	5.75-6.5-7.5-6.75	1987-88	S42	3,916,360,800		319,962,150	3,596,398,650
1998—Nov 1	5.75-6.5-7.5-6.75	1988-89	S43	3,710,419,250		300,238,450	3,410,180,800
2001—Nov 1	5.75-6.5-7.5-6.75	1989-90	S44	2,956,506,500		240,750,200	2,715,756,300
2002—Nov 1	5.75-6.5-7.5-6.75	1990-91	S45	2,706,822,250		234,151,250	2,472,671,000
2003—Nov 1	5.75-6.5-7.5-6.75	1991-92	S46	3,939,402,700		376,098,400	3,563,304,300
2004—Nov 1	5.75-6.5-7.5-6.75	1992-93	S47	4,567,494,600		447,865,100	4,119,629,500
2005—Nov 1	5.75-6.5-7.5-6.75	1993-94	S48	3,011,752,200		431,224,400	2,580,527,800
2006—Nov 1	5.75-6.5-7.5-6.75	1994-95	S49	6,577,564,981		2,066,613,581	4,510,951,400
2007—Nov 1	5.25	1995-96	S50 ⁽¹⁾		4,655,252,314	196,661,659	4,458,590,655
				31,386,323,281	4,655,252,314	4,613,565,190	31,428,010,405
<i>Less: Government's holdings—</i>							
Canada savings bonds held on account of employees							
92,718,723							
Canada savings bonds held on account of the Payroll Savings Plan							
774,797,500							
Consolidation adjustment ⁽²⁾							
58,714,000							
926,230,223							
Total							
				30,460,093,058	4,723,378,594	4,723,540,123	30,459,931,529

⁽¹⁾ S50 includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

⁽²⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan Investment Fund, and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these bonds for Canada Pension Plan.

TABLE 6.5
BONDS FOR CANADA PENSION PLAN

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 1995-96	10,217,000	1,379,444,000	1,389,661,000	
Maturing 1996-97	10,651,000			10,651,000
1997-98	11,351,000			11,351,000
1998-99	12,015,000			12,015,000
1999-2000	17,709,000			17,709,000
2000-01	22,971,000			22,971,000
2001-02	17,622,000			17,622,000
2002-03	17,414,000			17,414,000
2003-04	17,259,000			17,259,000
2004-05	16,661,000			16,661,000
2005-06	239,955,000			239,955,000
2006-07	1,352,282,000			1,352,282,000
2007-08	699,981,000			699,981,000
2008-09	519,360,000			519,360,000
2009-10	71,112,000			71,112,000
2010-11	425,010,000			425,010,000
2011-12	15,763,000			15,763,000
2012-13	11,118,000			11,118,000
Total	3,488,451,000	1,379,444,000	1,389,661,000	3,478,234,000

Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 1996.

Table 6.6 presents a monthly summary of Canada bill issues and redemptions.

TABLE 6.6
CANADA BILLS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1995.....	1,731,034,204	3,192,069,118	(1,461,034,914)
May.....	1,535,260,595	3,400,415,405	(1,865,154,810)
June.....	2,030,119,873	2,448,178,944	(418,059,071)
July.....	2,193,489,495	2,292,595,480	(99,105,985)
August.....	1,882,384,293	2,484,600,474	(602,216,181)
September.....	1,680,149,130	1,811,206,500	(131,057,370)
October.....	1,343,138,421	1,534,064,709	(190,926,288)
November.....	908,937,252	1,059,691,538	(150,754,286)
December.....	1,634,213,084	1,647,581,151	(13,368,067)
January, 1996.....	1,694,412,553	1,774,522,774	(80,110,221)
February.....	2,815,627,574	1,804,756,990	1,010,870,584
March.....	4,002,924,801	2,019,605,314	1,983,319,487
Balance at April 1, 1995	23,451,691,275	25,469,288,397	(2,017,597,122) 9,046,123,231
Balance before revaluation			7,028,526,109 42,976,361
Exchange valuation adjustment at March 31, 1996			
Balance at March 31, 1996			6,985,549,748

Canada Notes

Canada notes are issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term US funds.

The year-end balances of Canada notes payable in US dollars were translated into Canadian dollars using the closing rate of exchange at March 31, 1996.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

TABLE 6.7
CANADA NOTES

Maturity date	%	Issue date	Note #	April 1/1995	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1996
Payable in foreign currencies—				\$	\$	\$	\$
US dollars—							
Maturing 1996-97							
1997—Mar 26	5.46	Mar 26/96	003		13,591,000		13,591,000
Mar 26	5.482	Mar 26/96	004		24,463,800		24,463,800
Mar 26	5.476	Mar 26/96	006		13,591,000		13,591,000
Mar 26	5.482	Mar 26/96	007		6,795,500		6,795,500
Mar 27	5.446	Mar 26/96	008		6,795,500		6,795,500
Mar 27	5.486	Mar 27/96	009		27,182,000		27,182,000
Mar 27	5.475	Mar 27/96	010		13,591,000		13,591,000
Mar 28	5.47	Mar 28/96	015		27,182,000		27,182,000
Mar 31	5.463	Mar 29/96	013		6,795,500		6,795,500
Mar 31	5.457	Mar 29/96	014		6,795,500		6,795,500
					146,782,800		146,782,800
Maturing 1997-98							
1997—Apr 1	5.452	Mar 29/96	016		13,591,000		13,591,000
1998—Mar 26	5.825	Mar 26/96	001		46,413,265		46,413,265
Mar 26	5.82	Mar 26/96	002		27,182,000		27,182,000
Mar 30	5.781	Mar 29/96	012		67,955,000		67,955,000
					155,141,265		155,141,265
Maturing 1998-99							
1999—Mar 26	5.934	Mar 26/96	005		1,359,100		1,359,100
Maturing 2000-01							
2001—Mar 27	6.188	Mar 27/96	011		6,795,500		6,795,500
Total					310,078,665		310,078,665

⁽¹⁾ This column includes the translation of Canada notes payable in foreign currencies into Canadian dollars using closing rates of exchange at March 31.

Interest Rates

Table 6.8 sets out unmatured debt as at March 31, for each of the years 1991-92 to 1995-96 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, Treasury bills, non-marketable bonds (include Canada savings bonds and the bonds for the Canada Pension Plan), Canada bills and Canada notes and loans.

TABLE 6.8

UNMATURED DEBT AS AT MARCH 31, FROM 1992 TO 1996, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan				Canada notes and loans				Total unmatured debt	
	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest	Amount outstanding	Average interest
	\$millions)	%	\$millions)	%	\$millions)	%	\$millions)	%	\$millions)	%	\$millions)	%	\$millions)	%	\$millions)	%
1996.....	262,214	8.39	166,100	5.89	30,460	6.58	3,478	10.21	6,985	5.20	310	5.64	469,547	7.34		
1995.....	233,554	8.58	164,450	7.60	30,460	5.75	3,488	10.21	9,046	6.16			440,998	7.97		
1994.....	208,411	8.79	166,000	4.47	30,418	5.5	3,497	10.20	5,649	3.44			413,975	6.75		
1993.....	181,270	9.59	162,050	6.39	33,364	6	3,505	10.20	2,552	3.19			382,741	7.88		
1992.....	161,488	10.25	152,300	7.68	34,589	7.5	3,501	10.19			7	8.5	351,885	8.86		

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.9 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1991-92 to 1995-96 inclusively.

TABLE 6.9

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
Three-month bills—			
1996.....	5.02	8.29	5.02
1995.....	8.35	5.29	8.22
1994.....	5.39	3.62	5.39
1993.....	8.57	4.68	5.21
1992.....	9.56	6.83	7.24
Six-month bills—			
1996.....	4.98	8.36	5.24
1995.....	8.54	5.59	8.28
1994.....	5.88	3.75	5.88
1993.....	8.58	4.69	5.57
1992.....	9.41	6.84	7.41
Other bills—			
1996.....	5.08	8.30	5.58
1995.....	8.96	4.84	8.27
1994.....	6.26	3.93	6.25
1993.....	8.18	4.84	4.87
1992.....	9.62	6.90	7.14

Maturity of Government Debt

Table 6.10 presents total unmatured debt arranged in order of maturity.

TABLE 6.10

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan		Canada bills		Canada notes		Total unmatured debt	
	Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate	
	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(million)	Amount	%
1997	26,055	8.14	166,100	5.89			11	9.00	6,985	5.20	147	5.47	199,298	6.16
1998	30,691	7.24			3,597	6.75	11	9.08			155	5.77	34,454	7.18
1999	26,693	7.18			3,410	6.75	12	9.56			2	5.93	30,117	7.13
2000	19,803	8.68					17	10.51					19,820	8.68
2001	28,989	8.55					23	12.98			6	6.19	29,018	8.55
2002/06 ..	71,905	8.88			15,452	6.75	309	11.85					87,666	8.52
2007/11 ..	19,600	9.80			8,969	6.00	3,068	10.04					31,637	8.75
2012/16 ..	6,250	10.42					27	9.69					6,277	10.41
2017/21 ..	1,809	10.50											1,809	10.50
2022/26 ..	29,828	7.98											29,828	7.98
2027/31 ..	657	4.25											657	4.25
	262,280	8.39	166,100	5.89	31,428	6.54	3,478	10.21	6,985	5.20	310	5.64	470,581	7.35
Less: Government's holdings....	66	8.14			968	5.25							1,034	5.43
	262,214	8.39	166,100	5.89	30,460	6.58	3,478	10.21	6,985	5.20	310	5.64	469,547	7.34

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.11.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.11 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent

enterprise Crown corporations. Borrowings by non-agent enterprise Crown corporations are not included because such borrowings are not on behalf of Her Majesty.

TABLE 6.11

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/1995	Issues/ Borrowings	Retirements	March 31/1996
Unmatured debt of the Government of Canada ⁽¹⁾	440,998	476,313	447,764	469,547
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	22,916	108,541	106,087	25,370
Total	463,914	584,854	553,851	494,917

⁽¹⁾ Details can be found in this section.

⁽²⁾ Details can be found in Section 9 (Table 9.6) of this volume.

PENSION AND OTHER ACCOUNTS

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to the legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to the legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. An allowance account is used to record the accumulated amortization of any shortfall or excess between the liability for public sector pensions and the balances of the superannuation accounts as determined on an actuarial basis for accounting purposes.

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but separate funds are not maintained.

i. Pension plans

Employee pension plans

Basic pensions for the three major employee plans are generally based on the best six consecutive years' average earnings and are accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

Employee contributions for these benefits are 7.5 percent of pay, less contributions to the Canada or Quebec Pension Plan. Employer contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 1995-96, the employer contribution rates averaged about 1.4, 2.7 and 2.1 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation (*Act to amend certain Acts in relation to pensions and to enact the Special Retirement Arrangements Act and the Pension Benefits Division Act*) introduced a number of provisions, including the *Special Retirement Arrangements Act* (SRAA), to allow various federal service superannuation plans to adapt to the tax restrictions. During the year, the *Public Service Superannuation Act* was amended to specify that contributions and benefits under that Act will be based on a maximum salary rate to be determined each year. A retirement compensation arrangement account was also established under the SRAA to record transactions for those pension benefits above the limits allowed under the *Income Tax Act*.

During the year, the *Public Service Superannuation Act* was amended to reduce the time for vesting and lock-in and to increase pension portability. The one time cost of providing this benefit to existing contributors has been estimated at \$415 million and was charged to the current year's pension cost.

Contributions are credited to the superannuation accounts. The accounts earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 10.4 percent for 1995 and 1996.

Members of Parliament retiring allowances

Members of Parliament are eligible to receive a basic retiring allowance upon termination of membership after having contributed to the plan for at least six years. The basic allowance is based on the best six year average sessional indemnity and is accrued at a rate of 5 percent and 3 percent of these average indemnities for Members of the House of Commons and for Senators, respectively. Basic allowances are indexed annually (on January 1) to the cost of living.

Members' contributions for these benefits are 11 percent for Members of the House of Commons and 7 percent for Senators. The Government contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	1996	1995
Members of Parliament		
House of Commons		
Retiring allowances account	2.34	2.48
Retiring compensation arrangements	7.24	7.83
The Senate		
Retirement allowances account.....	1.77	1.62
Retirement compensation arrangements	2.85	2.79

Contributions are credited to the appropriate superannuation accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

Pension plan for federally appointed judges

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits instead, the full benefit amount is generally payable when the member reaches age 65 and completed 15 years of pensionable service.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this pension plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$38 million.

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—December 31, 1992;

Canadian Forces—December 31, 1993;

Royal Canadian Mounted Police—December 31, 1992;

Federally appointed judges—March 31, 1995;

Members of Parliament—March 31, 1995.

As at March 31, 1996, the actuarial valuation reports for the Canadian Forces and the federally appointed judges pension plans were not tabled before Parliament.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be divided into equal instalments and credited to the appropriate account over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no actuarial deficit was credited to the appropriate accounts.

Table 6.12 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the superannuation accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments and interest. Payments and other charges for the superannuation accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, and transfers to other plans. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes.

TABLE 6.12
PUBLIC SECTOR PENSIONS

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.14	59,941,130,441	7,968,568,673	2,912,382,981	64,997,316,133
Allowance for pension adjustments	(203,000,000)	686,000,000	1,165,000,000	(682,000,000)
	59,738,130,441	8,654,568,673	4,077,382,981	64,315,316,133
Canadian Forces Superannuation Account,				
Table 6.15	34,544,573,856	4,118,507,349	1,540,920,778	37,122,160,427
Allowance for pension adjustments	(1,282,000,000)		1,065,000,000	(2,347,000,000)
	33,262,573,856	4,118,507,349	2,605,920,778	34,775,160,427
Royal Canadian Mounted Police Superannuation Account,				
Table 6.16	6,819,813,966	885,139,707	177,247,664	7,527,706,009
Allowance for pension adjustments	(258,000,000)		159,000,000	(417,000,000)
	6,561,813,966	885,139,707	336,247,664	7,110,706,009
Members of Parliament Retiring Allowances Account,				
Table 6.17	235,051,927	26,609,379	15,884,219	245,777,087
Allowance for pension adjustments	42,000,000		7,000,000	35,000,000
	277,051,927	26,609,379	22,884,219	280,777,087
Members of Parliament Retirement Compensation Arrangements Account, Table 6.18				
Allowance for pension adjustments	21,963,436	9,782,478	6,145,755	25,600,159
			1,000,000	(1,000,000)
	21,963,436	9,782,478	7,145,755	24,600,159
Retirement Compensation Arrangements (RCA) Account, Table 6.19				
Allowance for pension adjustments	1,646,797	526,635,568	120,359,865	407,922,500
	594,000,000	301,000,000	507,000,000	388,000,000
	595,646,797	827,635,568	627,359,865	795,922,500
Supplementary Retirement Benefits Account,				
Table 6.20	43,288,625	6,216,116	36,844	49,467,897
Allowance for pension adjustments	532,000,000		2,000,000	530,000,000
	575,288,625	6,216,116	2,036,844	579,467,897
Total	101,032,469,048	14,528,459,270	7,678,978,106	107,881,950,212
SUMMARY—				
Superannuation accounts	101,607,469,048	13,541,459,270	4,772,978,106	110,375,950,212
Allowance for pension adjustments	(575,000,000)	987,000,000	2,906,000,000	(2,494,000,000)
Total	101,032,469,048	14,528,459,270	7,678,978,106	107,881,950,212

Table 6.13 presents a summary of transactions in public sector pensions that resulted in charges to expenditures.

TABLE 6.13

SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES
(in millions of dollars)

	1995-96							
	Statutory payments under				Total before allowance for pension adjustments	Net allowance for pension adjustments	Total	1994-95
	Government contributions	Interest	Various acts	Supplementary Retirement Benefits Act				
Public Service Superannuation Account	881	6,184			7,065	(479)	6,586	5,901
Canadian Forces Superannuation Account	410	3,551			3,961	(1,065)	2,896	2,852
Defence Services Pension Continuation Act.....			4	15	19		19	17
Royal Canadian Mounted Police Superannuation Account	119	708			827	(159)	668	638
Royal Canadian Mounted Police Continuation Act.....			8	20	28		28	29
Members of Parliament Retiring Allowances Account ..	2	24			26	(7)	19	20
Members of Parliament Retirement Compensation Arrangements Account	6	3			9	(1)	8	11
Retirement Compensation Arrangements (RCA) Account	515	8			523	(206)	317	595
Supplementary Retirement Benefits Account	1	3			4	(2)	2	1
Judges Act			38		38		38	35
Other (diplomatic services, lieutenant governors, etc.)			1		1		1	1
Subtotal	1,934	10,481	51	35	12,501	(1,919)	10,582	10,100
Less: costs already provided for in the allowance for pension adjustments in 1994-95.....		(507)			(507)		507	
Total	1,427	10,481	51	35	11,994	(1,412)	10,582	10,100

Public Service Superannuation Account

This account is operated under the *Public Service Superannuation Act*.

No actuarial liability adjustment was made in either 1994-95 or 1995-96 as a result of triennial actuarial reviews.

TABLE 6.14**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	1995-96	1994-95
	\$	\$
Opening balance	59,941,130,441	55,094,335,222
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	539,649,059	577,806,599
Retired employees	38,820,619	35,947,049
Public Service corporation employees	160,815,658	153,050,504
Employer contributions—		
Government	880,610,168	883,289,923
Public Service corporations	151,610,339	148,683,231
Transfers from other pension funds	13,508,963	5,977,720
Interest	6,183,553,867	5,715,342,982
	7,968,568,673	7,520,098,008
	67,909,699,114	62,614,433,230
PAYMENTS AND OTHER CHARGES—		
Annuities	2,705,981,767	2,510,754,710
Cash termination allowances	185,887	99,880
Minimum benefits	14,491,526	16,069,539
Pension division payments	33,657,792	
Returns of contributions—		
Government employees	109,705,955	62,498,944
Public Service corporation employees	25,214,523	26,187,734
Transfers to other pension funds	23,145,531	57,691,982
	2,912,382,981	2,673,302,789
Closing balance	64,997,316,133	59,941,130,441

Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

No actuarial liability adjustment was made in either 1994-95 or 1995-96 as a result of triennial actuarial reviews.

TABLE 6.15**CANADIAN FORCES SUPERANNUATION ACCOUNT**

	1995-96	1994-95
	\$	\$
Opening balance	34,544,573,856	32,021,514,134
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	152,069,273	167,803,189
Contributions by the Government	409,844,722	437,190,753
Interest	3,551,180,996	3,312,672,981
Other	5,412,358	4,760,646
	4,118,507,349	3,922,427,569
	38,663,081,205	35,943,941,703
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,459,399,058	1,366,275,533
Pension division payments	43,402,158	
Cash termination allowances and returns of contributions	37,043,598	32,036,607
Transfers to Public Service Superannuation Account (Treasury Board)	1,075,964	1,055,707
	1,540,920,778	1,399,367,847
Closing balance	37,122,160,427	34,544,573,856

Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

No actuarial liability adjustment was made in either 1994-95 or 1995-96 as a result of triennial actuarial reviews.

TABLE 6.16

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1995-96	1994-95
	\$	\$
Opening balance	6,819,813,966	6,138,413,983
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	57,227,109	59,763,752
Transfers from other pension funds	260,412	297,352
Contributions by the Government	119,444,367	125,890,057
Interest	708,207,819	641,949,767
	885,139,707	827,900,928
	7,704,953,673	6,966,314,911
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	165,924,932	144,634,567
Pension division payments	8,901,121	
Return of contributions	1,829,746	1,451,738
Cash termination allowance and gratuities	100,308	73,504
Transfers to other pension funds	220,369	118,450
Interest on returns of contributions	271,188	222,686
	177,247,664	146,500,945
Closing balance	7,527,706,009	6,819,813,966

Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to the surviving spouse and/or dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.17

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1995-96	1994-95
	\$	\$
Opening balance	235,051,927	224,726,544
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	883,948	972,578
Arrears of principal, interest and mortality insurance	106,557	97,961
Government contributions—		
Current	1,685,476	1,884,100
Interest	23,933,398	22,861,864
	26,609,379	25,816,503
	261,661,306	250,543,047
PAYMENTS AND OTHER CHARGES—		
Annual allowances	14,947,496	15,432,287
Withdrawal allowances	339,247	54,599
Interest on withdrawals	6,378	4,234
Pension division payments	591,098	
	15,884,219	15,491,120
Closing balance	245,777,087	235,051,927

Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to the surviving spouse and/or dependent children of Members.

TABLE 6.18

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	1995-96	1994-95
	\$	\$
Opening balance	21,963,436	15,832,492
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	1,246,927	1,610,329
Government contributions—		
Current	5,971,846	9,058,349
Interest	2,563,705	2,025,049
	<hr/> 9,782,478	<hr/> 12,693,727
	<hr/> 31,745,914	<hr/> 28,526,219
PAYMENTS AND OTHER CHARGES—		
Annual allowances	762,478	727,802
Refundable tax remitted to		
Revenue Canada	4,808,645	5,807,226
Withdrawals	527,216	27,755
Pension division payments	47,416	
	<hr/> 6,145,755	<hr/> 6,562,783
Closing balance	25,600,159	21,963,436

Retirement Compensation Arrangements (RCA) Account

The RCA Account No.1 was established by the *Special Retirement Arrangements Act (SRAA)* to provide pension benefits for federal employees under retirement compensation arrangements. RCA Account No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *RCMP Superannuation Act*. The RCA Account No.1 was created effective December 15, 1994.

The RCA Account No.2 was established by the Retirement Compensation Arrangement regulations. These regulations established a 3 year program for Public Service employees who are declared surplus as part of the Government's downsizing initiative, who are between age 50 and 54 and who meet other conditions specified in the regulations. RCA Account No.2 pays the difference between a pension not reduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA Account No.2 was created effective April 1, 1995.

TABLE 6.19
RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA Account No.1						RCA Account No.2				
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total		
	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	1,646,420				377				1,646,797		
RECEIPTS AND											
OTHER CREDITS—											
Contributions—											
Government											
employees	1,379,933		308,628		137,293		9,910		377		
Public Service											
corporation											
employees	551,553		59,989							551,553	59,989
Employer											
contributions—											
Government	7,031,114		1,219,490		592,615				507,008,265		
Public Service											
corporations.....	2,306,166		58,500							2,306,166	58,500
Interest.....	544,247				17,814				7,056,658		
	11,813,013	1,646,607	747,722			9,910	377	514,064,923		526,635,568	1,646,984
	13,459,433	1,646,607	747,722			10,287	377	514,064,923		528,282,365	1,646,984
PAYMENTS AND											
OTHER CHARGES—											
Annuities	7,236				4,341				15,855,262		
Returns of											
contributions—											
Government	2,384									2,384	
Public Service											
corporation											
employees	7,899		187							7,899	187
Refundable tax	4,638,355								99,844,388		
	4,655,874		187		4,341				115,699,650		
Closing balance	8,803,559	1,646,420	743,381			10,287	377	398,365,273		407,922,500	1,646,797

Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.20
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others ⁽¹⁾		Total	
	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	5,243,275	4,825,757	89,833	81,192	37,955,517	32,036,776	43,288,625	36,943,725
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government.....			644	772	1,364,228	1,238,157	1,364,872	1,238,929
Matching contributions—								
Government.....			644	773	1,363,813	1,303,629	1,364,457	1,304,402
Interest	308,116	417,518	6,852	7,096	3,171,819	3,422,921	3,486,787	3,847,535
	308,116	417,518	8,140	8,641	5,899,860	5,964,707	6,216,116	6,390,866
	5,551,391	5,243,275	97,973	89,833	43,855,377	38,001,483	49,504,741	43,334,591
PAYMENTS AND OTHER CHARGES—								
Annuities					36,844	45,966	36,844	45,966
Closing balance	5,551,391	5,243,275	97,973	89,833	43,818,533	37,955,517	49,467,897	43,288,625

⁽¹⁾ Includes all federally appointed judges, lieutenant governors and diplomatic services.

Allowance for Pension Adjustments

This account records the required accounting adjustments resulting from annual actuarial valuations.

As a result of annual actuarial valuations for accounting purposes, the liability for public sector pensions was found to be \$23,846 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$11,263 million related to the Public Service pension plan;
- an excess of \$11,015 million related to the Canadian Forces pension plan;
- an excess of \$2,118 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$35 million related to the Members of Parliament retiring allowances; and,
- a shortfall of \$585 million related to the federally appointed judges pension plan.

To recognize the liability for public sector pensions, \$987 million (\$572 million related to public sector restructuring and \$415 million for an amendment to the Public Service pension plan) was recorded in the account and charged to other program expenditures in 1995-96.

Pension adjustments of \$2,906 million (\$2,399 million is due to experience gains and losses and changes in actuarial assumptions and \$507 million was transferred to a Retirement Compensation Arrangements Account) were charged to this account and reduced the pension costs of the year (\$1,959 million in 1995). The unamortized estimation adjustments of \$21,352 million (\$18,653 million in 1995) will be amortized to this account and will reduce expenditures in future years.

Canada Pension Plan

The Canada Pension Plan is a compulsory contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from interest earned from the investment of funds.

The Government's authority to spend, as administrator of the Canada Pension Plan, is limited to the balance in the Account.

Table 6.21 presents a summary of the balances and transactions in the Canada Pension Plan Account less investment in securities of the federal, provincial and territorial governments held by the Canada Pension Plan Investment Fund.

TABLE 6.21
CANADA PENSION PLAN

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Canada Pension Plan Account, Table 6.22	40,372,827,042	14,982,937,133	16,188,269,289	39,167,494,886
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada	3,488,451,000	10,217,000		3,478,234,000
Newfoundland	766,693,000	29,429,000		737,264,000
Nova Scotia	1,394,037,000	57,325,000		1,336,712,000
Prince Edward Island	167,929,000	6,042,000		161,887,000
New Brunswick	1,031,704,000	43,184,000		988,520,000
Quebec	126,807,000	8,021,000		118,786,000
Ontario	16,553,793,000	784,084,000		15,769,709,000
Manitoba	1,958,881,000	83,370,000		1,875,511,000
Saskatchewan	1,650,068,000	62,596,000		1,587,472,000
Alberta	4,613,938,000	137,694,000		4,476,244,000
British Columbia	5,210,745,000	213,913,000		4,996,832,000
Yukon Territory	3,726,000			3,726,000
	36,966,772,000	1,435,875,000		35,530,897,000
Operating balance	3,406,055,042	16,418,812,133	16,188,269,289	3,636,597,886

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 5.4 percent and 5.6 percent of pensionable earnings for the 1995 and 1996 calendar years, subject to maximum combined contributions of \$1,701 and \$1,786 respectively;
- (b) interest on investment in securities held by the Canada Pension Plan Investment Fund, from short term investments and from the average daily operating balance; and,
- (c) funds received from the federal, provincial and territorial governments for the securities which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Canada Pension Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability pensions and benefits to children of disabled contributors;
- (b) pensions and benefits paid and recovered from the Canada Pension Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Canada Pension Plan Account, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan; and,
- (e) funds invested during the year in the securities of the federal, provincial and territorial governments.

When the operating balance exceeds the estimated amount required to meet all payments in the following three-month period, the excess is available for the purchase of securities of the provinces, territories and Canada.

Provinces and territories are advised monthly of the amount of excess funds in the Canada Pension Plan Account that is available for the purchase of provincial and territorial securities. The monies available for purchases of securities are allocated to the provinces and territories in proportion to the contributions received in those provinces or territories during the preceding 10 years. Contributions received in respect of employment from employees outside Canada as well as any excess funds not invested in the securities of the provinces and territories are invested in the special non-marketable bonds of the Government of Canada.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Canada Pension Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

TABLE 6.22
CANADA PENSION PLAN ACCOUNT
(in millions of dollars)

	1995-96	1994-95
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees, employers and self-employed	10,607	10,464
Interest on investments	4,082	4,177
Interest on average daily balance	294	238
	14,983	14,879
PAYMENTS AND OTHER CHARGES—		
Pensions and benefits	15,969	15,257
Administration	219	200
	16,188	15,457
Net decrease	(1,205)	(578)
Funds applied—		
Increase in deposits with Receiver General	231	678
Less: funds provided—		
Disposals of bonds—		
Provincial and territorial	1,426	1,247
Federal	10	9
	1,436	1,256
Net decrease	(1,205)	(578)
Balance at beginning of year	40,373	40,951
Balance at end of year	39,168	40,373

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and items transferred from previous years' revenues to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

PEI Fixed Link

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge (known as the PEI Fixed Link) between the Provinces of New Brunswick and Prince Edward Island. Payments of the annual subsidy will begin on May 31, 1997 and continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$773 million, offset by deferred subsidies which are recorded in an account under other loans, investments and advances in Section 9 of this volume. These deferred subsidies will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding ac-

counts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.23 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.23
DEPOSIT AND TRUST ACCOUNTS

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission account	15,945,735	667,905,415	667,735,812	16,115,338
Guarantee deposits—Board of Arbitration and Review Tribunal	4,936	8,800		13,736
15,950,671		667,914,215	667,735,812	16,129,074
Citizenship and Immigration—				
General security deposits	160,000	29,584	39,584	150,000
Immigration guarantee fund	15,554,226	7,530,701	5,572,306	17,512,621
15,714,226		7,560,285	5,611,890	17,662,621
Finance—				
Canada Development Investment Corporation—				
Canadair holdback	10,000,000	73,560,000		83,560,000
Crown corporations' surplus moneys—				
St Lawrence Seaway Authority, The	13,000,000			13,000,000
23,000,000		73,560,000		96,560,000
Foreign Affairs and International Trade—				
Fairs and missions	1,160,814	5,389,415	5,571,238	978,991
Indian Affairs and Northern Development—				
Field British Columbia and Yukon Operations of the				
Northern Canada Power Commission	992,588			992,588
Guarantee deposits	12,396,996	16,968,235	11,732,798	17,632,433
Less: securities held in trust	9,501,409	9,439,807	15,800,780	15,862,382
2,895,587		26,408,042	27,533,578	1,770,051
Guarantee deposits—Oil and gas	14,759,526	24,372,847	24,071,973	15,060,400
Less: securities held in trust	14,532,881	19,161,585	16,195,459	11,566,755
226,645		43,534,432	40,267,432	3,493,645
Guarantee deposits—Reserve resources	523,286	459,418	981	981,723
4,638,106		70,401,892	67,801,991	7,238,007
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act		15,000		15,000
Justice—				
Supreme Court of Canada—				
Security for costs	291,038	30,507	5,551	315,994
Tax Court of Canada—				
Security for costs	27,499	1,668		29,167
318,537		32,175	5,551	345,161
National Revenue—				
Guarantee deposits	9,130,119	1,948,165	1,242,996	9,835,288
Less: securities held in trust	2,734,800	417,000	634,000	2,951,800
6,395,319		2,365,165	1,876,996	6,883,488
Temporary deposits received from importers	540,629		85,472	455,157
Less: deposits in special bank accounts	540,629	85,472	85,472	455,157
6,395,319		2,450,637	1,962,468	6,883,488
Natural Resources—				
Guarantee deposits—Oil and gas	4,217,581	79,491,215	2,141,946	81,566,850
Less: securities held in trust	4,122,502		75,623,755	79,746,257
95,079		79,491,215	77,765,701	1,820,593

TABLE 6.23

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1995	Receipts and	Payments and	March 31/1996
		other credits	other charges	
	\$	\$	\$	\$
Privy Council—				
Chief Electoral Officer—Candidates' and committees'				
deposits—Election and referendum	26,600	32,000	32,500	26,100
Public Works and Government Services—				
Contractors' security deposits (departments and				
agencies)—				
Bonds	20,288,097	2,805,000	5,833,000	17,260,097
Less: securities held in trust	20,288,097	15,084,300	12,056,300	17,260,097
Cash	14,263,394	16,832,889	15,388,698	15,707,585
Certified cheques	1,598,747			1,598,747
Less: securities held in trust	1,598,747			1,598,747
Seized property—Cash	4,048,361	12,563,574	4,472,721	12,139,214
	<i>18,311,755</i>	<i>47,285,763</i>	<i>37,750,719</i>	<i>27,846,799</i>
Total deposit accounts	85,611,107	954,132,597	864,237,870	175,505,834
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account	428,479	23,252	83,837	367,894
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.24	790,393,204	60,107,374	58,729,852	791,770,726
Revenue accounts, Table 6.25	121,915,706	92,296,661	93,697,162	120,515,205
<i>912,308,910</i>	<i>152,404,035</i>	<i>152,427,014</i>	<i>912,285,931</i>	
Indian estate accounts	6,746,720	3,894,666	4,359,829	6,281,557
Indian savings accounts	162,911,172	15,311,911	23,670,156	154,552,927
	<i>1,081,966,802</i>	<i>171,610,612</i>	<i>180,456,999</i>	<i>1,073,120,415</i>
National Defence—				
Estates—Armed services	11,227	1,533,652	1,450,227	94,652
Solicitor General—				
Canadian Security Intelligence Service—				
Meritorious graduate awards	21,166	485	21,651	
Scholastic awards	16,038	23,416	3,000	36,454
Correctional Service—				
Inmates' trust fund	7,199,765	27,430,518	27,084,692	7,545,591
Royal Canadian Mounted Police—				
Benefit trust fund	2,537,479	246,718	251,124	2,533,073
	<i>9,774,448</i>	<i>27,701,137</i>	<i>27,360,467</i>	<i>10,115,118</i>
Veterans Affairs—				
Administered trust accounts	9,241,121	2,615,020	2,873,502	8,982,639
Estates fund	1,058,871	669,467	1,068,611	659,727
Veterans administration and welfare trust				
fund	1,953,463	1,874,719	1,748,542	2,079,640
Less: securities held in trust	2,000	2,000		
	<i>1,951,463</i>	<i>1,876,719</i>	<i>1,748,542</i>	<i>2,079,640</i>
	<i>12,251,455</i>	<i>5,161,206</i>	<i>5,690,655</i>	<i>11,722,006</i>
Total trust accounts	1,104,432,411	206,029,859	215,042,185	1,095,420,085
Total deposit and trust accounts	1,190,043,518	1,160,162,456	1,079,280,055	1,270,925,919

Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*, and uses the Consolidated Revenue Fund for banking purposes. This account was established by section 15 of the *Canadian Dairy Commission Act*, to record the Government's liability to the Commission.

Guarantee deposits—Board of Arbitration and Review Tribunal

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with section 92(1) of the *Immigration Act*.

Immigration guarantee fund

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Canadair holdback—Canada Development Investment Corporation

This account was established pursuant to section 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Crown corporations' surplus moneys

These accounts were established pursuant to section 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Fairs and missions

This account was established to record deposits which may be refunded, in part or in total, in accordance with contractual agreements concerning the participation of Canadian sector enterprises at international trade fairs.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for oil, mineral and timber rights and licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 13(3) of the *Northern Inland Waters Act* and various regulations under the *Territorial Lands Act*. Interest is allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit and letters of guarantee which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with section 74 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by the Appellant with the Registrar of the Supreme Court of Canada in accordance with section 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Guarantee deposits—National Revenue

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

During the year, an amount of \$10,500 was transferred to non-tax revenues.

Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

Halifax 1917 explosion pension account

This account was established by section 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.24**INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	1995-96	1994-95
	\$	\$
Opening balance	790,393,204	774,492,560
RECEIPTS AND OTHER CREDITS—		
Oil royalties	18,362,696	19,819,658
Gas royalties	30,218,425	43,315,794
British Columbia agreement.....	93,894	219,116
Land and other claim settlements	450,000	7,526,828
Sundries	10,982,359	10,509,363
	60,107,374	81,390,759
	850,500,578	855,883,319
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribu- tion	6,504,848	4,286,180
Transfer pursuant to section 64 of the Indian Act	51,379,205	52,193,284
Sundries	845,799	9,010,651
	58,729,852	65,490,115
Closing balance	791,770,726	790,393,204

TABLE 6.25**INDIAN BAND FUNDS—REVENUE ACCOUNTS**

	1995-96	1994-95
	\$	\$
Opening balance	121,915,706	94,312,249
RECEIPTS AND OTHER CREDITS—		
Government interest	69,872,909	77,535,825
Land and other claim settlements	2,165,949	12,176,631
Sundries	20,257,803	27,181,393
	92,296,661	116,893,849
	214,212,367	211,206,098
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribu- tion	1,068,336	3,144,823
Transfer pursuant to section 69 of the Indian Act	81,753,242	77,645,033
Sundries	10,875,584	8,500,536
	93,697,162	89,290,392
Closing balance	120,515,205	121,915,706

Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

Indian savings accounts

These accounts were established to record the savings accounts maintained for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Meritorious graduate awards

This account was established to record a donation of \$11,000 to be used for the presentation of meritorious awards to graduating employees.

During the year, the account was closed and the outstanding balance was transferred to the trust account "Scholastic awards".

Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered trust accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Payments to Estates Regulations.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc., received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.26
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Civil service insurance fund	9,910,844	321,790	552,930	9,679,704
National Defence—				
Regular forces death benefit account,				
Table 6.27	164,813,704	29,415,055	26,128,178	168,100,581
Treasury Board—				
Public Service death benefit account,				
Table 6.28	1,123,252,332	188,385,739	80,130,649	1,231,507,422
Veterans Affairs—				
Returned soldiers' insurance fund	329,102		119,526	209,576
Veterans insurance fund.....	16,323,296	242,107	1,118,487	15,446,916
	16,652,398	242,107	1,238,013	15,656,492
Total insurance and death benefit accounts.....	1,314,629,278	218,364,691	108,049,770	1,424,944,199
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account	15,382	11,262	10,476	16,168
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund.....	25,211,618	3,227,899	2,120,868	26,318,649
Treasury Board—				
Locally-engaged contributory pension account.....		826,514	826,514	
Total pension accounts.....	25,227,000	4,065,675	2,957,858	26,334,817
Other accounts—				
Agriculture and Agri-Food—				
Agriculture development workshops	31,431	352	31,783	
Canada/Manitoba partnership				
agreement on municipal water infrastructure for rural economic diversification.....	1,048,841	12,095,940	11,841,627	13,031,154
Crops Sector Companion Program.....		131,072,965		131,072,965
Net Income Stabilization Account	596,233,578	418,922,999	139,558,937	875,597,640
Shared-cost agreements—				
Research	5,170,858	13,639,050	10,697,606	8,112,302
Net Income Stabilization Account (NISA)—				
Bridge Program.....	6,565	12,733	19,298	
Commodity Industry Development Fund—Province.....	15,158,822	15,151,123	19,733,737	10,576,208
	617,650,095	590,895,162	181,882,988	1,026,662,269
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account		6,526		6,526
Canadian Heritage—				
Shared-cost agreements—Conferences and training	55,949		46,530	9,419
Shared-cost/joint project agreements	74,400	57,500	40,000	91,900
Folk sculpture contest account	6,268		6,268	
Mackenzie King trust account	288,230	18,540	17,955	288,815
Miscellaneous projects deposits	323,365	416,421	441,342	298,444
Canadian Film Development Corporation—				
Advance account ⁽¹⁾	24,228,001	39,905,448	49,997,101	14,136,348
	24,976,213	40,397,909	50,549,196	14,824,926

TABLE 6.26**OTHER SPECIFIED PURPOSE ACCOUNTS—Continued**

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
Environment—				
Miscellaneous projects deposits	5,128,106	4,976,279	6,065,184	4,039,201
Public participation funding program	141,931	260,027	222,673	179,285
	5,270,037	5,236,306	6,287,857	4,218,486
Finance—				
Common school funds—Ontario and Quebec	2,677,771			2,677,771
Foreign claims fund	182,959		3,939	179,020
Petro-Canada Limited—Cash reserve		2,732,780		2,732,780
War claims fund—World War II	4,236			4,236
	2,864,966	2,732,780	3,939	5,593,807
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements	135,107	7,345,763	6,623,052	857,818
Miscellaneous projects deposits	2,653,525	8,794,100	7,748,361	3,699,264
Sales of seized assets	242,732	342,831	242,018	343,545
	3,031,364	16,482,694	14,613,431	4,900,627
Foreign Affairs and International Trade—				
Canada Foundation account	298,358	49,904	26,415	321,847
Less: securities held in trust	280,582	296,967	335,928	319,543
Deposits in a special bank account	17,776	345,958	330,486	2,304
692,829		692,829		
Financial assistance to Canadians abroad	186,806	1,606,191	1,596,068	196,929
Funds from non-governmental organizations	393,127	3,516,968	3,104,976	805,119
Paris air show	382,346	126,734	450,456	58,624
Shared-cost projects	610,522	1,472,173	1,811,003	271,692
Canadian Institute for International Peace and Security—				
Other outstanding liabilities	439,228		439,228	
Canadian International Development Agency—				
Shared-cost projects—International conferences	59,905	136,519	184,502	11,922
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements		17,001	17,001	
	2,071,934	7,551,414	8,279,062	1,344,286
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities	50,000			50,000
Miscellaneous federal/provincial projects	537,070	737,354	528,895	745,529
Pan American Health Organization (SIREVA)	31,380	10,136		41,516
World Health Organization	129,516	4,755	15,082	119,189
Medical Research Council—				
Dyskinesia and torticollis research	76,728	4,558		81,286
	824,694	756,803	543,977	1,037,520
Human Resources Development—				
Fair wages suspense account	3,476	15,873	13,851	5,498
Federal/provincial shared-cost project		49,517	11,615	37,902
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)	336,382	551,738		888,120
Labour standards suspense account	1,267,548	1,143,266	462,815	1,947,999
Summer employment experience development program	(281,546)	456,546	175,000	
	1,325,860	2,216,940	663,281	2,879,519
Indian Affairs and Northern Development—				
Fines—Indian Act	469,045	30,787	14,484	485,348
Indian agencies revenue trust bank accounts	255,721	5,861,279	5,983,047	133,953
Less: deposits in special bank accounts	255,721	5,861,279	5,983,047	133,953
Indian band funds—				
Shares and certificates	20,000			20,000
Less: securities held in trust	20,000			20,000
Indian compensation funds	113,594	108,746		222,340
Indian moneys suspense account	21,029,164	13,950,080	14,627,303	20,351,941
Indian special accounts	948,491	54,634	61,367	941,758

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/1995	Receipts and other credits	Payments and other charges	March 31/1996
	\$	\$	\$	\$
1924 Ontario Lands Agreement	40,057			40,057
Treaty Land Entitlement (Saskatchewan) Fund.....	5,302,204 27,902,555	12,722,783 26,867,030	18,024,987 32,728,141	22,041,444
Industry—				
Shared-cost projects.....	115,597	107,445	3,714	219,328
Shared-cost agreements— Conferences and training.....	172			172
Shared-cost agreements—Tourism.....	110,646	132,359		243,005
Shared-cost/joint project agreements—Research.....	650,205	953,477	52,212	1,551,470
Income from securities in trust—Bankruptcy and Insolvency Act	42,207	374		42,581
Securities in trust—Bankruptcy and Insolvency Act	46,266		15,000	31,266
Less: securities held in trust	31,266			31,266
15,000			15,000	
Unclaimed dividends and undistributed assets— Bankruptcy and Insolvency Act	2,286,909		245,523	2,041,386
Canada Business Corporations Act	533,730	863		534,593
Winding-up Act	529,659			529,659
Canadian Space Agency— RadarSat.....	481,310			481,310
National Research Council of Canada— Special fund	10,871,850	32,597,640	43,469,490	
Trust fund	10,047,429	10,402,026	10,800,537	9,648,918
Natural Sciences and Engineering Research Council— Trust fund	680,686	821,862	505,506	997,042
Social Sciences and Humanities Research Council— Queen's Fellowship fund.....	266,075	15,615	16,121	265,569
Trust fund	8,819	20,529	20,000	9,348
Statistics Canada— Project deposits	771,284 27,411,578	44,268,945 89,321,135	42,981,521 98,109,624	2,058,708 18,623,089
Justice—				
Federal Court of Canada— Federal Court special account	4,620,313	5,621,935	3,726,940	6,515,308
National Defence—				
Foreign governments— United Kingdom— British Army—Suffield, Alberta	28,829,966	60,431,000	61,978,013	27,282,953
Wainwright, Alberta	4,586,608	2,761,000	5,228,378	2,119,230
Other activities	4,584,888	24,639,802	23,412,734	5,811,956
United States of America	1,473,663	507,571	1,740,450	240,784
Federal Republic of Germany— German Army—Shilo, Manitoba	8,123,541	18,192,166	26,497,140	(181,433)
Other activities	15,763,719	21,719,000	30,646,580	6,836,139
Netherlands	10,387,593	13,686,335	18,493,929	5,579,999
North Atlantic Treaty Organization (NATO)— Infrastructure projects	7,271,214	1,061,002	722,707	7,609,509
Non-government agencies	1,602,362	2,429,892	3,692,914	339,340
Provincial governments—Research projects	12,000	12,000	12,000	12,000
82,635,554	145,439,768		172,424,845	55,650,477
Natural Resources—				
Atomic Energy of Canada Limited regional seismic monitoring station	471	40,000	38,779	1,692
Continental geoscience division—Ontario Hydro	32,458			32,458
International Energy Agency—Implementing agreement	7,286	13,334	9,491	11,129
Market development incentive payments—Alberta	15,321,609		2,775,597	12,546,012
Miscellaneous projects deposits	2,841,757	4,562,669	3,268,880	4,135,546
Newfoundland Offshore Revenue Account		23,952,547	23,952,547	
Nova Scotia Offshore Revenue Account		4,709,573	4,709,573	
Shared-cost agreements—Research	1,193,003	2,973,461	2,118,111	2,048,353
Shared-cost projects	1,452,757	4,194,983	3,738,414	1,909,326
20,849,341	40,446,567		40,611,392	20,684,516

TABLE 6.26**OTHER SPECIFIED PURPOSE ACCOUNTS—Concluded**

	April 1/1995	Receipts and	Payments and	March 31/1996
		other credits	other charges	
Public Works and Government Services—		\$	\$	\$
Francophone Summits	2,424	22,626	4,390	20,660
Interest on bonds—Insurance companies		653,303	653,303	
Military purchases excess funds deposit	85,681,041		16,995,938	68,685,103
Less: securities held in trust	85,681,041	16,995,938	16,995,938	68,685,103
Petro-Canada Enterprises Inc—Shares	795,637		37,484	758,153
798,061	17,671,867		17,691,115	778,813
Solicitor General—				
Royal Canadian Mounted Police—				
Mounted Police Foundation		244,204	235,445	8,759
Seized assets—Canadian funds	5,720,428	5,904,729	8,920,228	2,704,929
Seized assets—US funds	2,209,846	31	2,201,166	8,711
Sponsorship Agreement—Contributions		175,000		175,000
7,930,274		6,323,964	11,356,839	2,897,399
Veterans Affairs—				
Army benevolent fund	112,686	28,582	33,176	108,092
Total	830,275,525	997,997,382	639,505,803	1,188,767,104
Less: consolidation adjustment ⁽¹⁾	24,230,203	10,093,855		14,136,348
Total other accounts	806,045,322	1,008,091,237	639,505,803	1,174,630,756
Total other specified purpose accounts	2,145,901,600	1,230,521,603	750,513,431	2,625,909,772

⁽¹⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Civil service insurance fund

This fund was established by the *Civil Service Insurance Act*, to provide life insurance coverage for civil servants who bought policies before 1955-56. The purchase of policies was discontinued in 1954-55, pursuant to section 62(2) of the *Public Service Superannuation Act*.

During the year, receipts and other credits consisted of premiums of \$8,524 and, an amount of \$313,266 (charged to expenditures) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1995. Payments and other charges consisted of death benefits, \$488,000; cash surrender value, \$32,327; annuities, \$32,407; and premium refunds, \$196.

Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.27**REGULAR FORCES DEATH BENEFIT ACCOUNT**

	1995-96	1994-95
	\$	\$
Opening balance	164,813,704	156,774,783
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	9,993,645	10,104,596
Government's contribution	2,178,698	1,704,558
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution	588,070	534,731
Interest	16,654,642	16,079,760
	29,415,055	28,423,645
	194,228,759	185,198,428
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act	26,128,178	20,384,724
Closing balance	168,100,581	164,813,704

Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$5,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$5,000 death benefit coverage for life has been made.

TABLE 6.28**PUBLIC SERVICE DEATH BENEFIT ACCOUNT**

	1995-96	1994-95
	\$	\$
Opening balance	1,123,252,332	1,027,877,102
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	62,991,176	63,819,715
Government—		
General	5,115,162	5,409,713
Single premium for \$5,000	1,452,350	1,394,646
Public Service corporations	2,442,109	2,335,703
Interest	116,384,942	106,939,599
	188,385,739	179,899,376
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	61,194,198	65,595,748
Life coverage of \$5,000	18,922,351	18,784,962
Other death benefit payments	14,100	143,436
	80,130,649	84,524,146
Closing balance	1,231,507,422	1,123,252,332

Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 1995 of \$90,314 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1995 of \$175,271 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

Locally-engaged contributory pension account

This account, which pertains to Part II of the Locally-Engaged Pension Regulations, provides pension benefits to locally-employed Government employees who contributed to the plan. The account is credited with contributions from locally-engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

Agriculture development workshops

This account was established to record moneys received from the "Agence de coopération culturelle et technique" from Paris, France in accordance with an agreement dated June 15, 1990. These funds will be used to defray the training costs and living expenses of third world members during their stay at the Food Research and Development Centre in St-Hyacinthe, Quebec.

During the year, the account was closed.

Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

Crops Sector Companion Program

This account was established to provide financial protection to Saskatchewan producers who are participants in the Net Income Stabilization Account (NISA) Program in the event of reduced farm cash receipts for eligible crops for the 1995 and 1996 calendar years.

Under this Program, the federal Government and Saskatchewan will provide annual contributions of \$54.5 million and \$30.5 million, respectively for each calendar year. Saskatchewan has also contributed to the account an additional \$45 million from its share of the Gross Revenue Insurance

Program (GRIP) surplus. Payments will be triggered when annual farm cash receipts (province wide) fall below a specified percentage of the previous five year average levels adjusted for changes in cash costs. The distribution of any payout to participants will be based on each producer's eligible net sales as reported to NISA.

In the event that triggered program payouts exceed the program funds available, the federal Government will make an additional contribution not exceeding \$50 million for the two-year period.

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into either the Consolidated Revenue Fund or participating financial institutions, and receive a matching contribution from the federal and provincial governments. These funds are held on behalf of the participants.

The account records only the transactions relating to the Consolidated Revenue Fund as follows:

(a) participant matchable deposits held in the Consolidated Revenue Fund. For the fiscal year ending March 31, 1996, participants deposits pertained, in most part, to the 1994 stabilization year (the period for which a participant filed a 1994 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1994 stabilization year, matchable deposits could be made up to 2.5 percent of the ENS for most qualifying commodities, except in the following provinces where enhanced rates were available for certain commodities: British Columbia (4.5 percent for edible horticulture and 3.5 percent for all other commodities except wheat, barley, canola and edible horticulture); Saskatchewan (4.5 percent for all grains, oilseeds, special crops and edible beans); and Ontario (4.5 percent for edible horticulture);

(b) Government matching contributions on participant matchable deposits held in either the Consolidated Revenue Fund or participating financial institutions. For the 1994 stabilization year, the federal Government provided matching contributions equal to 60 percent of the participant matchable deposits, except in the following cases: 56 percent of British Columbia and Ontario matchable deposits based on ENS of edible horticulture and 43 percent of British Columbia matchable deposits based on ENS of all edible commodities except wheat, barley, oats, canola and edible horticulture. In all cases, the provinces provided the remaining matching contribution. The federal Government also contributed 1.5 percent of ENS as "top-up" funds for Saskatchewan producers of grains, oilseeds, special crops and edible beans;

- (c) participant non-matchable deposits in the Consolidated Revenue Fund, which are limited to an annual maximum of 20 percent of eligible net sales (carried forward for up to five years);
- (d) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (e) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (f) bonus interest of 3 percent per annum, split equally between the federal and provincial governments, calculated on participant contributions; and,
- (g) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of either of two triggers (a stabilization trigger and a minimum income trigger).

Shared-cost agreements—Research—Agriculture and Agri-Food

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Net Income Stabilization Account (NISA)—Bridge Program

This account was established to record contributions received from provincial governments and producers for the purpose of transition to a whole farm income stabilization program. Under the NISA Bridge Program, producers who participated in the National Tripartite Stabilization Program (NTSP) for Beef were eligible to deposit an amount into this account equivalent to the premiums they paid under NTSP in the final year of that Program. The provincial governments contributed an amount equal to one-half of the producers' deposits. These deposits were then eligible for interest at the rate established by the Minister of Finance. A producer's deposit, Government's contributions and accrued interest were ultimately credited/transferred to the producer's NISA accounts.

During the year, the account was closed.

Commodity Industry Development Fund—Province

This account was established to record contributions received from provincial governments equal to one-half of the premiums paid by the provinces under the National Tripartite Stabilization Program for Beef in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are available for up to five years to be used for programs, projects and activities which include, but are not

exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Shared-cost agreements—Conferences and training—Canadian Heritage

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

Shared-cost/joint project agreements—Canadian Heritage

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Forks sculpture contest account

This account was established for the purpose of accepting donations from corporations and other donors to sponsor a sculpture competition for the Forks National Historic Park in Winnipeg, Manitoba.

Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is to be credited to the account at the end of each year, and charged to interest on public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Advance account—Canadian Film Development Corporation

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Public participation funding program

This account was established to record deposits received from provinces, territories or private organizations to provide funds to assist public participation in the Canadian Environmental Assessment Agency.

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

Petro-Canada Limited—Cash reserve

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record moneys received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Paris air show

This account was established to record moneys received from the private sector. These funds are used to help defray the costs of the Canadian Pavilion activities during the bi-annual Paris air show held in Paris, France.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Canadian Institute for International Peace and Security—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Institute for International Peace and Security which are used to pay any liabilities of the Corporation.

During the year, the account was closed.

Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development of common information management systems.

Canadian Sports Pool Corporation—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial projects in the areas of hospital administration, hospital facilities design and other related health issues.

Pan American Health Organization (SIREVA)

This account was established to enhance the epidemiological and laboratory infrastructure in the regions for the diagnosis and surveillance of *S.pneumoniae*. At the end of the project, the participating laboratories should have acquired the capability to design, conduct and analyze epidemiological field studies, in particular as they relate to defining the nature and magnitude of *S.pneumoniae*, and the epidemiological surveillance network in the Americas should have been strengthened.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Dyskinesia and torticollis research

This account was established by section 5(3) of the *Medical Research Council Act*, to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research

in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

Fair wages suspense account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

Federal/provincial shared-cost project—Human Resources Development

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

Labour standards suspense account

This account is operated under the authority of the Canada Labour Code, Part III, section 251, and the Canada Labour Standards Regulations section 23.

The account records:

(a) funds received from employers as a result of assessments made by inspectors regarding underpayments of minimum wages, overtime, vacation pay, holiday pay, termination, severance or bereavement pay. The assessments are payable either directly to the employee, or to the Minister of Human Resources Development who is required to transmit the payment to the employee;

(b) payments received from employers who are in arrears in paying their employees. Such amounts are repaid to employees; and,

(c) wages received by the Minister of Human Resources Development from employers who cannot locate employees. Efforts are then made to locate employees.

Summer employment experience development program

The summer employment experience development program is jointly funded by the federal and provincial governments.

This account was established to record advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

Fines—Indian Act

Fines collected as defined in section 104 of the *Indian Act*, in connection with liquor prosecutions, and band bylaws, are credited to this account. Expenditures may be made per the direction of the Governor in Council to cover certain costs incurred in the suppression of the liquor traffic among the Indians of Canada.

Indian agencies revenue trust bank accounts

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands.

Indian band funds—Shares and certificates

This account was established by section 61 of the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares of stock as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sale of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to record moneys held for individuals and bands, received from royalties, timber dues, rentals and leases of Indian lands, such as agricultural leases, easements, oil and gas leases, permits and royalties and timber dues agreements, etc, pending proper documentation and distribution.

Indian special accounts

Pursuant to section 52 of the *Indian Act* these Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) Absent or missing heirs—Assets in an estate to which a missing heir is entitled are held in this account.

(b) Abitibi fur reserve—This account records moneys received from the sale of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for talymen's wages, freight costs, etc.

(c) Abitibi fishery—This account records charges for the operation of the Abitibi sturgeon fish catching project.

1924 Ontario Lands Agreement

This account was established to record the Province of Ontario's share of the receipts from mineral activity on Indian reserves in accordance with the terms of the 1924 Ontario Lands Agreement. Payment of these funds to Indian bands is awaiting the reaching of an agreement between the Bands entitled to the funds and the provincial government.

Treaty Land Entitlement (Saskatchewan) Fund

This account was established to record contributions and payments pertaining to settling of Saskatchewan Indian Nation's land claims. Interest credited on the Province of Saskatchewan deposits was charged to public debt while interest on federal contribution was charged to expenditures of the Department of Indian Affairs and Northern Development.

Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Shared-cost agreements—Conferences and training—Industry

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

Shared-cost agreements—Tourism

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safe-keeping.

Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

Unclaimed dividends and undistributed assets—Winding-up Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

Radarsat

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

Special fund—National Research Council of Canada

This account was established by the *National Research Council Act*, to record revenues received from the operations of the National Research Council of Canada. Amounts were charged to this account and were credited to expenditures to offset incurred expenses.

The account was closed during 1995-96 and the outstanding balance was credited to non-tax revenues. All revenues received are now credited to non-tax revenues and a spending

authority is established to spend such revenues in the current and subsequent fiscal years. This spending authority is established pursuant to Section 5(1)(e) of the *National Research Council Act*.

Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act*, to record funds received from other governments and organizations outside the accounting entity, to cover expenditures made on their behalf.

Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

Queen's Fellowship fund—Social Sciences and Humanities Research Council

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The income is used for the payment of scholarships to graduate students in certain fields of Canadian studies.

Trust fund—Social Sciences and Humanities Research Council

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Federal Court special account

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

The debit balance in one of the accounts is the result of a processing delay and will be cleared in the new fiscal year.

North Atlantic Treaty Organization (NATO)—Infrastructure projects

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

Non-government agencies

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

Provincial governments—Research projects

This account is maintained to record funds received from provincial governments, for expenditures to be made on their behalf.

Atomic Energy of Canada Limited regional seismic monitoring station

This account was established to record funds received from Atomic Energy of Canada Limited, to accommodate the cost-sharing of expenses required to operate a network of regional seismic monitoring stations in the provinces of Ontario and Alberta.

Continental geoscience division—Ontario Hydro

This account was established to facilitate a cost sharing agreement between Natural Resources and Ontario Hydro to acquire, compile, process and interpret seismic reflection data recorded in Lake Ontario, Lake Erie, and Lake Huron.

International Energy Agency—Implementing agreement

This account was established to record funds for the cost-sharing of expenses between Canada, the United States, Japan, Sweden and Italy in respect to the International Energy Agency Implementing Agreement for a programme of research, development and demonstration on alcohol and alcohol blends as motor fuels.

Market development incentive payments—Alberta

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for the Natural Gas Vehicle Program, the Natural Gas Fuelling Station Program, and the Energy Efficiency and Alternative Energy Program through to March 31, 1998.

Miscellaneous projects deposits—Natural Resources

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

Newfoundland Offshore Revenue Account

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

Nova Scotia Offshore Revenue Account

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

Francophone Summits

This account was established to record moneys granted in 1994 and 1995 by the "Agence de coopération culturelle et technique" (Paris) for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

Interest on bonds—Insurance companies

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unutilized funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Petro-Canada Enterprises Inc—Shares

This account was established to record the liability to shareholders who have not presented their shares for payment.

Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenditures related to community policing, educational, promotional and public relations projects throughout Canada.

Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Seized assets—US funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Army benevolent fund

Pursuant to section 3 of the *Army Benevolent Fund Act*, this account was credited with certain canteen profits and other funds from World War II. Interest at the rate of 9.01 percent per annum is credited semi-annually for the period June 29, 1995 to June 28, 2000 on the minimum monthly balances.

Payments are made out of the fund to or for the benefit of World War II veterans or their dependents or the widows, children or other dependents of deceased veterans.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan Account and the Canada Pension Plan Investment Fund

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following financial statements have been prepared by Management of the Department of Human Resources Development in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and estimates in these financial statements are Management's responsibility. Management is also responsible for all other information in the *Annual Report on the Administration of the Canada Pension Plan* and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund.

In support of its responsibility, Management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, and to ensure that transactions are in accordance with the *Canada Pension Plan (Act)* and Regulations, as well as the *Financial Administration Act* and regulations.

The Auditor General of Canada, the Canada Pension Plan external auditor, audits the financial statements and reports to the Minister of Human Resources Development.

DAVID A. GOOD

*Assistant Deputy Minister
Financial and Administrative Services*

MEL CAPPE

Deputy Minister

July 26, 1996

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of revenue, expenditures and balance of the Canada Pension Plan Account and the statement of purchases, disposals and balance of the Canada Pension Plan Investment Fund for the year ended March 31, 1996. These financial statements are the responsibility of the management of the Department of Human Resources Development. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the balances of the Account and the Investment Fund as at March 31, 1996 and the revenue and expenditures of the Account and the purchases and disposals of the Investment Fund for the year then ended in accordance with the accounting policies set out in Note 2 to the statements.

I wish to draw to your attention that, as disclosed in Note 6, overpayments for disability pensions occur and the amount could be significantly higher than the amount estimated.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 26, 1996

**Canada Pension Plan Account and the Canada
Pension Plan Investment Fund—Continued**

CANADA PENSION PLAN ACCOUNT

**STATEMENT OF REVENUE, EXPENDITURES AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1996**
(in millions of dollars)

	1996	1995
Revenue		
Contributions—Employees, employers and self-employed	10,607	10,464
Interest (Note 3)	4,376	4,415
	<hr/>	<hr/>
	14,983	14,879
Expenditures		
Pensions (Note 6)		
Retirement	10,531	9,912
Disability	2,538	2,593
Survivors'	2,222	2,066
	<hr/>	<hr/>
	15,291	14,571
Benefits (Note 6)		
Disabled contributors' child	256	262
Death	230	224
Orphans'	192	200
	<hr/>	<hr/>
	678	686
Administration (Note 4)	219	200
	<hr/>	<hr/>
	16,188	15,457
Decrease for the year	(1,205)	(578)
Balance at beginning of year	40,373	40,951
Balance at end of year	<hr/>	<hr/>
	39,168	40,373
Represented by:		
Canada Pension Plan		
Investment Fund	35,531	36,967
Deposit with the		
Receiver General for Canada	3,637	3,406
	<hr/>	<hr/>
	39,168	40,373

Contingencies (Note 7)

Approved by the Department of Human Resources Development:

DAVID A. GOOD
Assistant Deputy Minister
Financial and Administrative Services

MEL CAPPE
Deputy Minister

**Canada Pension Plan Account and the Canada
Pension Plan Investment Fund—Continued**

CANADA PENSION PLAN INVESTMENT FUND

**STATEMENT OF PURCHASES, DISPOSALS AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1996**
(in millions of dollars)

	Balance at beginning of year	Purchases	Disposals	Balance at end of year
Investment in securities (Note 5)				
Provinces and Territory				
Newfoundland	766		29	737
Prince Edward Island	168		6	162
Nova Scotia	1,394		57	1,337
New Brunswick	1,032		43	989
Quebec	127		8	119
Ontario	16,554		784	15,770
Manitoba	1,959		84	1,875
Saskatchewan	1,650		63	1,587
Alberta	4,614		138	4,476
British Columbia	5,211		214	4,997
Yukon Territory	4			4
Canada	33,479		1,426	32,053
	3,488		10	3,478
	36,967		1,436	35,531

Approved by the Department of Human Resources Development:

DAVID A. GOOD

Assistant Deputy Minister

Financial and Administrative Services

MEL CAPPE

Deputy Minister

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1996

1. (a) Description and authority

The Canada Pension Plan (CPP) is a federal/provincial plan established by act of Parliament in 1965 as a compulsory and contributory social insurance program. CPP is designed to provide a measure of protection to Canadian workers and their families against the loss of earnings due to retirement, disability or death. The Plan operates in all parts of Canada, except for the Province of Quebec which has a comparable program.

The Minister of Human Resources Development is responsible for the administration of the *Canada Pension Plan* (Act) other than Part 1. The Minister of National Revenue is responsible under Part 1 for collecting contributions. The Minister of Finance, in conjunction with the ministers of the Crown from the included provinces, is responsible for setting CPP contribution rates.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by the Act to record the contributions, interest, pensions, benefits and administration expenditures of the Plan. The authority to spend is limited to the balance of the Account.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by the Act to record the investment in securities of the provinces, territories and Canada.

(b) Financing

CPP is financed on a pay-as-you-go basis, which means that the Plan operates on a current basis with pensions and benefits being paid out of current contributions. Under the Act, pensions, benefits and expenditures incurred in the administration of the Plan are financed from the contributions made by employees, employers and self-employed persons and from the interest earned on the investment of funds not immediately needed for pensions, benefits and administrative costs.

The projected balance in the Account is planned, over time, to equal about two times the projected annual payments in the following year.

Recognizing the need for higher rates of contributions, the legislation was amended in January 1987 to incorporate a 25-year schedule of contribution rates and a provision for its review every five years by the Minister of Finance and Ministers of the Crown from the included provinces. At each review the rates of the first 20 years are modified, if the Ministers agree, and the schedule is extended for an additional five years. Agreement is required by at least two-thirds of the included provinces having in the aggregate not less than two-thirds of the population of all of the included provinces. If the Ministers do not reach agreement, the five-year extension to the schedule is automatically set by the formula contained in the regulations.

For the 1995 and 1996 calendar years, the combined employer and employee contribution rates are 5.4 percent and 5.6 percent of pensionable earnings respectively, subject to maximum combined contributions of \$1,701 and \$1,786. Following their last review of the schedule of contribution rates, the Ministers agreed on annual increases in the combined employer and employee contribution rates of .20 percent for the calendar years 1992 to 1996 to reach 5.6 percent, .25 percent for calendar years 1997 to 2006 to reach 8.1 percent and .20 percent for calendar years 2007 to 2016 to reach 10.1 percent. The Canada Pension Plan was amended by Bill C-39 to incorporate these changes effective January 1, 1992.

The Fourteenth Actuarial Report prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions dated December 1991, projects that, based on the above contribution rates, the desirable 2:1 ratio of the Account balance to projected annual payments, will be maintained until 2002. This Report, which was tabled in Parliament in April 1993, projects that the ratio will gradually decrease to 1.54:1 in 2030 and then gradually increase to re-establish the desirable 2:1 ratio in 2050.

The Fifteenth Actuarial Report was tabled in the House of Commons in February 1995. It is now being discussed by the federal Minister of Finance and the provincial Ministers. A decision on the schedule of contribution rates is required prior to January 1, 1997.

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1996—Continued

2. Accounting policies

All financial transactions affecting the Account and the Fund are governed by the *Canada Pension Plan* (Act) and Regulations.

The CPP is a social insurance program. Benefits are not pre-funded as they are in private pension plans. Therefore, these statements are not required to show the adequacy of the balance in the CPP account to meet, on an actuarial basis, the future obligations of the CPP.

(a) Canada Pension Plan Account

Contributions, interest, pensions, benefits and administration expenditures are recorded on a cash basis.

Contributions are based on an estimate of the amount of cash to be collected that relates to the year and include adjustments between actual and estimated contributions of prior years.

Administration expenditures are based on an estimate of disbursements incurred during the year and include adjustments between actual and estimated expenditures of prior years.

(b) Canada Pension Plan Investment Fund

All investment in securities are carried at cost.

3. Interest revenue

	1996	1995
	(in millions of dollars)	
Interest on investment in securities held by the Fund:		
Provinces and Territory		
Newfoundland	84	87
Prince Edward Island	19	19
Nova Scotia	157	159
New Brunswick	113	117
Quebec	13	14
Ontario	1,836	1,898
Manitoba	215	222
Saskatchewan	181	186
Alberta	511	519
British Columbia	574	596
Yukon Territory (less than \$1 million)		
	3,703	3,817
Canada	356	357
	4,059	4,174
Interest on short term investments (3 month term) with Canada	23	3
Interest on deposit with the Receiver General for Canada, at a weighted-average rate of 6.53 percent (1995—5.91 percent)	294	238
	4,376	4,415

The weighted-average rate of interest on investment in securities held by the Fund during the year was 11.20 percent (1995—11.10 percent).

4. Administration

Expenditures of the Account represent the costs of services charged by the following federal Government departments and agency:

	1996	1995
(in millions of dollars)		
Human Resources Development Canada:		
Pension and benefit delivery and corporate services	133	112
Assignment and maintenance of social insurance numbers	2	1
Revenue Canada:		
Collection of contributions	61	61
Public Works and Government Services Canada:		
Cheque issue and computer services	16	18
Accommodation	6	7
Office of the Superintendent of Financial Institutions:		
Actuarial services	1	1
	<u>219</u>	<u>200</u>

The pension and benefit delivery, charged to the Account by Human Resources Development, include \$29.1 million (1995—\$16.4 million) for the Income Security Programs redesign project. At March 31, 1996, the cumulative charges to the Account for this project amount to \$76.3 million. The Account's share of the total cost of the project is estimated to be \$114.1 million. The expected completion date is 1997.

5. Investment in securities

The balance on deposit with the Receiver General in excess of estimated cash requirements for the following three-month period are available for the purchase of securities of the provinces, territories and Canada. As required by the *Canada Pension Plan*, the monies available for security purchases are allocated to the provinces and territories in proportion to the contributions received in those provinces or territories during the preceding 10 years. Securities in Canada include a portion attributed to certain other employees outside Canada and any funds which a province declines.

**Canada Pension Plan Account and the Canada
Pension Plan Investment Fund—Concluded**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—Concluded**

The securities of Quebec relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are residents in the Province of Quebec.

In 1995-96, there were no funds available for investment in provincial and territorial securities.

All securities are non-negotiable and have a term of 20 years or lesser period as may be determined by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions.

6. Pension and benefit mispayment

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefits payouts may be made. Such "mispayments" occur more frequently for disability pensions. There is greater subjectivity in the adjudication of these applications and, once accepted, beneficiaries must continue to meet the eligibility criteria.

The CPP Administration periodically undertakes studies of the extent and causes of pension and benefit mispayments. One study, which is almost completed for the 1994 CPP payment year, estimated, through statistical extrapolation, the most likely value of undetected mispayments at \$26 million (underpayments of \$11 million and overpayments of \$15 million). Disability mispayments, which are part of the CPP estimate, carry a most likely mispayment value of at least \$21 million (underpayments of \$7 million and overpayments of \$14 million). This review reflects a tightened and enhanced methodology over previous years. However, further improvement of the procedures for subsequent studies are required to assess initial and continuing eligibility factors for disability pension. Additional management controls should be put in place to reduce the occurrence of these overpayments and CPP Management is addressing these concerns. Therefore, the extent of the overpayment could be significantly higher than \$14 million.

Under the Act, when pension and benefit overpayments occur, the CPP Administration is required to recover the amount from the beneficiary or seek approval for write-off. As the CPP Administration is unable to fully identify overpayments, it cannot record, control and collect the potential accounts receivable from recipients.

7. Contingencies

At March 31, 1996, there were 15,231 (1995—17,387) appeals at various stages within the Canada Pension Plan. The estimated claims for these appeals against the Plan are \$26 million (1995—\$47 million). Any claim resulting from the resolution of these appeals will be accounted for as an expenditure of the period in which the claim is paid.

A number of persons who did not previously apply for a disability benefit, but who are potentially eligible, are being assisted by their province to secure their entitlement. Estimated unpaid retroactive entitlements related to these potential claims at March 31, 1996 amount to \$19 million.

SECTION 7

1995-96

PUBLIC ACCOUNTS OF CANADA

Current Assets

CONTENTS

	<i>Page</i>
Cash in bank	7.3
Cash in transit	7.4
Outstanding cheques and warrants	7.5
Accounts receivable.....	7.6

CURRENT ASSETS

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Current Assets".

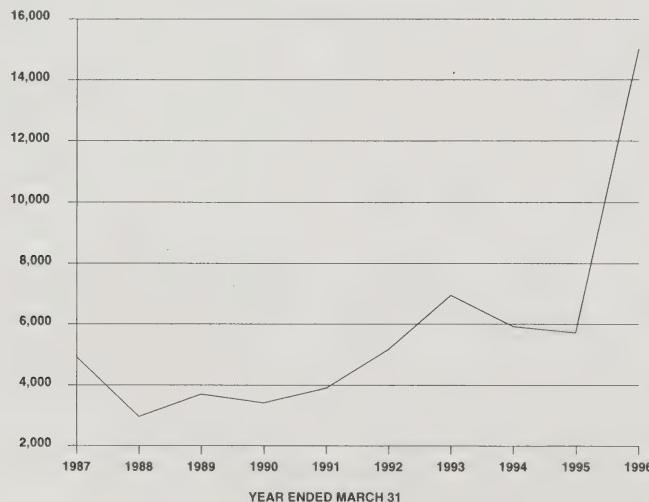
Table 7.1 presents the year-end balances of current assets by category. Chart 7A compares current assets for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 7.1
CURRENT ASSETS

	April 1/1995	March 31/1996
	\$	\$
Cash in bank, Table 7.2.....	1,893,378,077	8,554,728,202
Cash in transit, Table 7.5.....	3,240,622,247	4,189,177,950
	<i>5,134,000,324</i>	<i>12,743,906,152</i>
Less: outstanding cheques and warrants, Table 7.6.....	3,751,047,974	3,700,279,258
Total cash	1,382,952,350	9,043,626,894
Accounts receivable, Table 7.7.....	4,352,860,000	5,972,714,000
Total	5,735,812,350	15,016,340,894

CHART 7A
CURRENT ASSETS
(in millions of dollars)



Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, and German marks.

TABLE 7.2
CASH IN BANK

	April 1/1995	March 31/1996
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3	1,817,364,435	8,479,205,366
Foreign currencies, Table 7.4	74,570,974	71,597,603
Special deposits	1,442,668	3,925,233
Total	1,893,378,077	8,554,728,202

Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

TABLE 7.3
CANADIAN CURRENCY DEPOSITS
(in millions of dollars)

	Year ended March 31	
	1996	1995
At end of month of		
April	549	1,383
May	3,563	1,691
June	2,289	591
July	6,193	599
August	2,707	1,393
September	7,115	1,728
October	8,930	1,215
November	7,202	1,189
December	6,405	3,146
January	3,032	1,544
February	5,298	2,016
March	8,479	1,817

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)

(in millions of dollars)

	Year ended March 31	
	1996	1995
At end of month of		
April	(22)	13
May	34	40
June	16	32
July	24	28
August	22	32
September	36	17
October	20	1
November	16	14
December	38	38
January	42	14
February	21	21
March	72	75

Receiver General special deposits

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

TABLE 7.5
CASH IN TRANSIT

	April 1/1995	March 31/1996
	\$	\$
Cash in hands of collectors and in transit	3,112,820,236	3,889,170,552
Moneys received after March 31 but applicable to the current year	91,987,011	156,319,398
Less: portion transferred to accounts receivable—Other receivables	91,329,000	155,656,000
658,011	663,398	
Other cash—Consolidated Crown corporations ⁽¹⁾	127,144,000	299,344,000
Total	3,240,622,247	4,189,177,950

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

Moneys received after March 31 but applicable to the current year

Public moneys received after March 31, but applicable to the year just ended, are recorded in this account.

This account includes receipts to be credited to asset, liability and (in exceptional cases) tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

TABLE 7.6
OUTSTANDING CHEQUES AND WARRANTS

	April 1/1995	March 31/1996
	\$	\$
Outstanding cheques	3,459,891,220	3,398,079,826
Imprest account cheques	403,528	213,884
Unemployment insurance warrants	290,753,226	301,985,548
Total	3,751,047,974	3,700,279,258

Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$9,207,562 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$844,982 was transferred to non-tax revenues.

Unemployment insurance warrants

This account records outstanding unemployment insurance benefit warrants.

Accounts Receivable

Accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to a Government body for use of its assets, or from the proceeds for provision of services as of March 31, 1996. Non-tax revenues and revenues netted against expenditures are accounted for in the period the transactions or events give rise to the revenues.

Accounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Statement of debts, obligations and claims written off or forgiven).

Accounts receivable for tax revenues are not recorded in the accounts of Canada. However, these amounts are reported on a memorandum basis and details of the balances are included in Section 4 of Volume II Part II.

Table 7.7 presents a summary of the balances for accounts receivable.

TABLE 7.7
ACCOUNTS RECEIVABLE

	April 1/1995	March 31/1996
	\$	\$
Non-tax revenues and revenues netted against expenditures ⁽¹⁾	4,098,764,000	3,569,600,000
Other receivables	91,329,000	155,656,000
Receivables from the sale of investments		1,954,000,000
Accounts receivable of consolidated Crown corporations ⁽²⁾	162,767,000	293,458,000
Total	4,352,860,000	5,972,714,000

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,005 million for 1996 (\$1,676 million for 1995).
⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It includes refunds of old year expenditures received prior to the closing of the accounts, and receipts to be credited to non-tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Receivables from the sale of investments

This account records amounts receivable from the disposal of the Government's investment in the Canadian National Railway Company (CN) and Petro-Canada. Also included in this account is an amount of \$41 million related to a subscription and indemnity agreement between the Government and CN for 3,800,000 shares of CN which were simultaneously purchased and sold by the Government.

Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 1996.

TABLE 7.8
LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES NETTED AGAINST EXPENDITURES

(in thousands of dollars)

Categories of accounts receivable	1996			1995
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments	588,207	123,622	464,585	592,378
Proceeds from sales	2,517	2,517		516
Refunds of previous years' expenditures	760,981	144,774	616,207	853,285
Privileges, licences and permits	2,093			2,093
Service fees	48	48		
Miscellaneous	3,149		3,149	
Revenues netted against expenditures	3			3
Total long-term accounts receivable.....	1,356,998	270,961	1,086,037	1,446,179

Table 7.9 presents the aging for non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) for the period over which claims at March 31, 1996 have been outstanding.

TABLE 7.9
AGING OF ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES NETTED AGAINST EXPENDITURES

(in thousands of dollars)

Categories of accounts receivable	Outstanding days				Total as at March 31, 1996
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments	328,553	1,508	2,243	46,407	378,711
Proceeds from sales	3,139	538	102	994	4,773
Refunds of previous years' expenditures	98,459	20,139	4,096	151,957	274,651
Privileges, licences and permits	5,339	717	456	27,540	34,052
Service fees	56,467	8,321	3,868	29,028	97,684
Miscellaneous	110,957	38,614	23,180	652,778	825,529
Revenues netted against expenditures	272,232	26,504	34,654	258,786	592,176
	875,146	96,341	68,599	1,167,490	2,207,576
Other amounts					1,362,024 ⁽¹⁾
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts)					3,569,600

⁽¹⁾ This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

SECTION 8

1995-96

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account	8.3
International Monetary Fund—Subscriptions	8.4
International Monetary Fund—Notes payable	8.4
Special drawing rights allocations	8.4
Supplementary statement— Exchange Fund Account	8.5

FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well

as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$16,809 million as at March 31, 1996 (\$16,921 million as at March 31, 1995); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

TABLE 8.1
FOREIGN EXCHANGE ACCOUNTS

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	14,355,736,206	109,184,146,250	104,631,531,611	18,908,350,844
International Monetary Fund—Subscriptions	9,433,159,035		853,345,656	8,579,813,379
Less:	23,788,895,241	109,184,146,250	105,484,877,267	27,488,164,223
International Monetary Fund—Notes payable	7,737,386,277	1,394,145,838	542,920,891	6,886,161,330
Special drawing rights allocations	1,701,540,751	153,925,361		1,547,615,390
	9,438,927,028	1,548,071,199	542,920,891	8,433,776,720
Total	14,349,968,213	110,732,217,449	106,027,798,158	19,054,387,503

CHART 8A
FOREIGN EXCHANGE ACCOUNTS
(in millions of dollars)



International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 1995, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 1996. Gold held by the Account is valued at 35 SDRs per fine ounce (\$69.51 Cdn as at March 31, 1996 and \$76.42 Cdn as at March 31, 1995).

In 1995-96, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$108,798 million, a valuation adjustment of \$64 million and an adjustment of \$322 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$104,631 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/1996	March 31/1995
US cash on deposits	259	172
US dollar short-term deposits	4,615	2,807
US dollar investments.....	11,536	8,441
Deutsche marks cash on deposits	166	158
Deutsche marks short-term deposits.....	180	119 (1)
Japanese yen cash on deposits	336	379
Japanese yen short-term deposits	1,584	1,981
Gold.....	232	298
Canadian cash on deposits	(1)	1
Total	18,908	14,356
 Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (1996, \$13,154 million US; 1995, \$12,379 million US).....	17,877	17,321
Special drawing rights (1996, SDR 38 million; 1995, SDR 38 million).....	76	84
Canadian dollar deposit with the Receiver General for Canada	633	(3,616)
Total advances from the Consolidated Revenue Fund.....	18,586	13,789
Total net income from January 1 to March 31.....	322	567
Total	18,908	14,356

(1) Less than \$500,000.

International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of the SDR, a unit of account defined in terms of a "basket" of five major currencies.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 1995-96, receipts and other credits consisted of a maintenance of value adjustment of \$674 million and a valuation adjustment of \$179 million.

International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1995-96, notes payable to the IMF decreased by \$851 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1995-96, payments and other charges consisted of a valuation adjustment of \$154 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for Exchange Fund Account transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts, and are referred to the Standing Committee on Public Accounts for their review.

GORDON THIESSEN
Governor
Bank of Canada

D.A. DODGE
Deputy Minister
Department of Finance

BRUCE MONTADOR
Chief, Financial Markets Department
Bank of Canada

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1995 and the statement of revenues due to the Consolidated Revenue Fund for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Department of Finance, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 1995 and the revenues due to the Consolidated Revenue Fund for the year then ended in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part II of the *Currency Act*.

Wm.F. Radburn, FCA
 Assistant Auditor General
 for the Auditor General of Canada

Ottawa, Canada
 February 14, 1996

Exchange Fund Account—Continued**BALANCE SHEET AS AT DECEMBER 31, 1995**

(in millions of dollars)

ASSETS	1995		1994		DUE TO THE CONSOLIDATED REVENUE FUND	1995	1994
	US	C	US	C		C	C
Denominated in US dollars							
Cash and short-term deposits ...	2,350	3,206	2,227	3,121	Advances (Note 8).....	12,168	10,480
Marketable securities (Note 3) ...	5,724	7,807	4,734	6,636	Revenues for the year	1,383	1,905
	<u>8,074</u>	<u>11,013</u>	<u>6,961</u>	<u>9,757</u>			
Denominated in other foreign currencies							
Cash and short-term deposits (Note 4)	255	348	233	326			
Marketable securities (Note 5) ...	240	327	285	400			
	<u>495</u>	<u>675</u>	<u>518</u>	<u>726</u>			
Denominated in special drawing rights							
Special drawing rights (Note 6) .	1,185	1,617	1,157	1,622			
Gold and gold loans (Note 7)....	180	245	199	279			
	<u>1,365</u>	<u>1,862</u>	<u>1,356</u>	<u>1,901</u>			
Official international reserve assets (Note 2(d))	<u>9,934</u>	<u>13,550</u>	<u>8,835</u>	<u>12,384</u>			
Denominated in Canadian dollars							
Cash		1		1			
		<u>13,551</u>		<u>12,385</u>			
						13,551	12,385

Commitments (Note 9)

See accompanying notes

Approved:

GORDON THIESSEN

Governor

Bank of Canada

D.A. DODGE

Deputy Minister

Department of Finance

BRUCE MONTADOR

Chief, Financial Markets Department

Bank of Canada

Exchange Fund Account—Continued**STATEMENT OF REVENUES DUE TO THE CONSOLIDATED REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 1995**
(in millions of Canadian dollars)

	1995	1994
Investment income		
Marketable securities	758	168
Cash and short-term deposits	188	131
Special drawing rights	79	67
Gold	17	5
	1,042	371
Other income		
Gain on sales of gold	214	992
Net foreign exchange gains (Note 10)	127	542
	341	1,534
Revenues for the year due to the Consolidated Revenue Fund (Note 2 (e))	1,383	1,905

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995****1. Authority and objective**

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act* (the Act). The Account is in the name of the Minister of Finance (the Minister) and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The main objective of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the Act. The Act requires that the Minister publish in the Canada Gazette the list of currencies and units of account deemed eligible as assets of the Exchange Fund Account, as well as the investment criteria used for the designation of eligible issuers and securities.

2. Significant accounting policies

The following accounting policies, which conform to the stated accounting policies of the Government of Canada as stated in note 1 to the Financial statement, have been applied on a basis consistent with that of the preceding year.

(a) Valuation of assets

Marketable securities are adjusted for unamortized premiums or discounts where applicable, and are reported at the lower of the adjusted cost or market value. Marketable securities, short-term deposits and special drawing rights (SDRs) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of five major currencies.

Gold and gold loans includes accrued interest. Gold is carried in the Account at a value of 35 SDRs per fine ounce.

(b) Investment income

Investment income is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, and gains and interest on the sale of marketable securities. Sales of securities are recorded at settlement date.

(c) Gold

Gold sales are recorded at settlement date. Revenue from gold loans is recorded on an accrual basis.

(d) Translation of foreign currencies and SDRs

The Account's foreign assets are translated to US dollar equivalents for the publication of Canada's official international reserves holdings; the US dollar is the main currency used for official operations aimed at maintaining the external value of the Canadian dollar. The Account's records and financial statements are maintained in Canadian dollars.

Assets and advances denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	1995	1994
US dollar	1.36400	1.40180
Japanese yen	0.01319	0.01405
Deutsche mark	0.94960	0.90530
Special drawing right	2.02757	2.04642

Net foreign exchange gains or losses result from the translation of foreign currency balances and transactions throughout the year.

Investment income in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the income is earned.

(e) Disposition of revenues

The revenues for the year are payable to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the year in accordance with the Act.

(f) Services received without charge

The Account receives, without charge, administrative, custodial and fiscal agency services from the Bank of Canada.

(g) Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—Continued

3. Marketable securities denominated in US dollars

	1995		1994	
	US	C	US	C
	(in millions of dollars)			
US Government securities	3,532	4,818	2,665	3,736
US Federal Agencies securities	1,143	1,560	1,228	1,721
Sovereign paper	594	809	620	869
International Bank for Reconstruction and Development bonds	393	536	193	271
Accrued interest	62	84	28	39
	5,724	7,807	4,734	6,636

Estimated market value at year end:

1995—US\$ 5,815 million (C\$ 7,932 million)
1994—US\$ 4,734 million (C\$ 6,636 million)

4. Cash and short-term deposits denominated in other foreign currencies

	1995		1994	
	US	C	US	C
	(in millions of dollars)			
Japanese yen	1	2	3	4
Deutsche marks	253	344	229	321
Accrued interest	1	2	1	1
	255	348	233	326

5. Marketable securities denominated in other foreign currencies

	1995		1994	
	US	C	US	C
	(in millions of dollars)			
German Treasury discount paper			32	45
Japanese government securities	240	327	253	355
	240	327	285	400

Estimated market value at year end:

1995—US\$ 242 million (C\$ 330 million)
1994—US\$ 287 million (C\$ 402 million)

6. Special drawing rights

	1995		1994	
	US	C	US	C
	(in millions of SDRs)			
Held at the end of the year	792		787	
Accrued interest	6		6	
	798		793	

	1995		1994	
	US	C	US	C
(in millions of dollars)				
Held at the end of the year	1,177		1,606	
Accrued interest	8		11	
	1,185		1,617	
	1,185		1,157	1,622

7. Gold

	1995		1994	
	US	C	US	C
(in thousands of fine ounces)				
Held at the beginning of the year				
Gold	999		3,615	
Gold loans	2,886		2,438	
	3,885		6,053	
Sold during the year	471		2,168	
Held at the end of the year	3,414		3,885	
Composed of				
Gold	122		999	
Gold loans	3,292		2,886	
	3,414		3,885	

	1995		1994	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year				
Gold	7	9	51	71
Gold loans	171	233	147	207
Accrued interest on gold loans	2	3	1	1
	180	245	199	279

The value of gold as recorded in accordance with the Account's accounting policy, the market value (based on London fixings), and the approximate Canadian dollar cost of gold and gold loans at historical rates of exchange, excluding accrued interest on gold loans, at year end are:

	1995		1994	
	Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Recorded value —US\$	\$2.03	178	\$1.09	198
—C\$	70.96	242	71.62	278
Market value —US\$	386.70	1,320	382.50	1,486
—C\$	527.46	1,801	536.19	2,083
Approximate historical cost —C\$	36.91	126	36.91	143

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

8. Due to the Consolidated Revenue Fund - Advances

The Account is funded by advances from the CRF. These are currently limited to C\$25 billion by Order in Council dated June 30, 1988. The CRF does not charge interest on advances to the Account. At year end, advances from(to) the CRF consisted of:

	1995	1994
	(in millions of Canadian dollars)	
US dollars	15,432	13,539
Canadian dollars	(3,342)	(3,138)
Special drawing rights	78	79
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	12,168	10,480

The proceeds of Canada's borrowings in foreign currency and allocations of SDRs by the IMF have been advanced from the CRF to the Account. Repayments of foreign currency debt are made using the resources of the Account. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

9. Commitments**(a) Currency swaps**

The Account enters into short-term currency swap arrangements with the Bank of Canada and with major financial institutions. The objective of swaps with the Bank of Canada is to assist the Bank in its cash management operations while the objective of swaps with financial institutions is to assist the Government in managing its domestic cash balances in a more cost-effective manner. Under these agreements, the Account sells US dollars for Canadians dollars, with simultaneous agreements to repurchase US dollars on future dates at predetermined exchange rates. Swaps with the Bank of Canada are reversed at the same exchange rates as those used in the initial sales, while the rates used in swaps with financial institutions reflect the premium or discount prevailing in the market at the time the swaps were entered into. These swaps result in decreases in the Account's foreign currency assets and in the level of advances from the CRF. The effect is reversed when the swaps mature.

At year end, the Account had the following commitments to repurchase US dollars under swap arrangements:

	1995	1994		
	US	C	US	C
(in millions of dollars)				

Bank of Canada 3,927 5,365 2,578 3,604

(b) Uncompleted transactions

At year end, the Account had commitments for net purchases of US\$ 8 million (1994—net purchases of US\$ 7 million) against C\$ 11 million (1994—C\$ 10 million), all maturing in January 1996.

(c) Gold options

The Minister of Finance authorized the sale of call options on part of the Account's gold holdings. Under such transactions, the Account receives a premium against commitments to sell gold, at predetermined prices, on the expiry date of the options which can be exercised at the holder's discretion. No gold is sold unless the holders of the options exercise their right on the expiry dates.

At year end, the Account had outstanding commitments to sell 90,000 fine ounces of gold under call option contracts with a total value of US\$ 36 million (1994—no commitments) all maturing by March 1996.

10. Net foreign exchange gains (losses)

	1995	1994		
	Assets	Liabilities	Net	Net
(in millions of Canadian dollars)				

Assets and liabilities
denominated in:

US dollars	(402)	526	124	212
Japenese yen	(11)	(11)	(11)	65
Deutsche marks	25	25	56	
Special drawing rights	(12)	1	(11)	209
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	(400)	527	127	542

SECTION 9

1995-96

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

CONTENTS

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Summary financial statements of enterprise Crown corporations	9.14
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LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenues, while net losses are charged to expenditures of the Department of Finance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under section 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

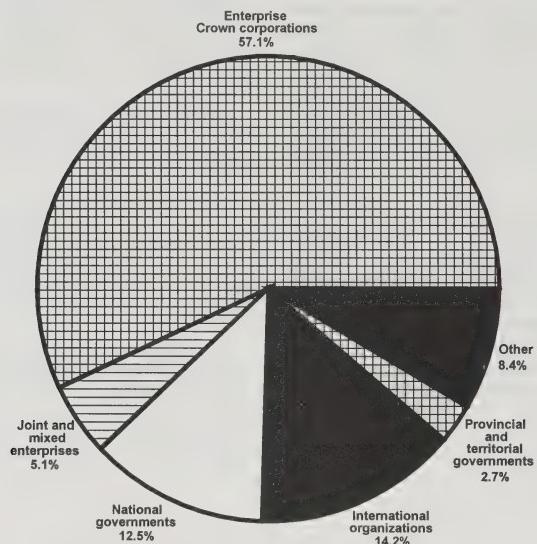
Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Enterprise Crown corporations, Table 9.2.....	18,217,656,081	2,879,818,762	6,434,883,706	14,662,591,137
Joint and mixed enterprises, Table 9.11.....	4,373,416,574		3,073,959,000	1,299,457,574
National governments including developing countries,				
Table 9.12	3,282,066,267	270,063,434	331,531,169	3,220,598,532
International organizations, Table 9.13.....	5,479,846,125	555,781,090	470,855,174	5,564,772,041
Less: notes payables, Table 9.13	1,935,345,312	404,754,654	373,943,460	1,904,534,118
3,544,500,813	960,535,744	844,798,634	3,660,237,923	
Provincial and territorial governments, Table 9.14	876,496,760	165,403,425	332,448,178	709,452,007
Other loans, investments and advances, Table 9.15.....	1,710,388,852	1,808,615,388	1,364,759,395	2,154,244,845
Less: allowance for valuation	32,004,525,347	6,084,436,753	12,382,380,082	25,706,582,018
Total	14,900,000,000	3,630,000,000		11,270,000,000
	17,104,525,347	9,714,436,753	12,382,380,082	14,436,582,018

CHART 9A

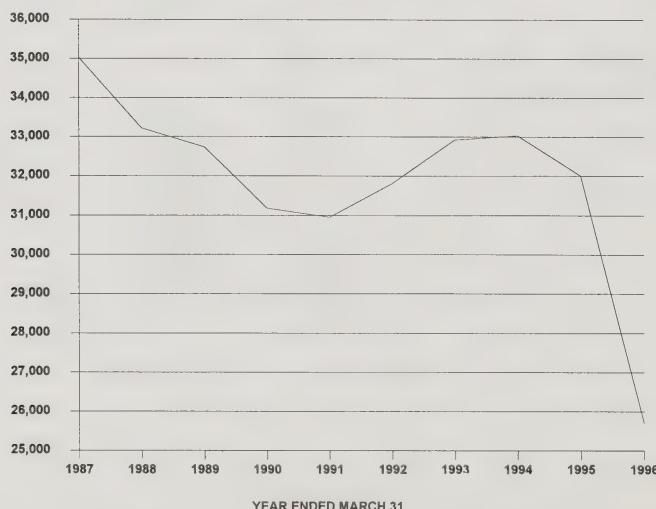
LOANS, INVESTMENTS AND ADVANCES BY CATEGORY FOR 1995-96⁽¹⁾



⁽¹⁾ Before the allowance for valuation

CHART 9B

LOANS, INVESTMENTS AND ADVANCES⁽¹⁾
(in millions of dollars)



⁽¹⁾ Before the allowance for valuation

Enterprise Crown Corporations

Loans and advances to, and investments in, enterprise Crown corporations represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are defined as those corporate organizations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected corporations listed in Part I and all the corporations listed in Part II of Schedule III of the *Financial Administration Act*, the Bank of Canada and the Canadian Wheat Board.

An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs. Most of the enterprise Crown corporations listed in Schedule III to the *Financial Administration Act* are agents of Her Majesty in Right of Canada. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Financial statements of parent enterprise Crown corporations can be found in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. The financial statements of wholly-owned subsidiaries of enterprise Crown corporations are also included in that report whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent enterprise Crown corporation.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations.

TABLE 9.2
ENTERPRISE CROWN CORPORATIONS

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Business Development Bank of Canada (previously the Federal Business Development Bank)—				
Common shares.....	303,400,000			303,400,000
Preferred shares		50,000,000		50,000,000
	303,400,000	50,000,000		353,400,000
Canada Deposit Insurance Corporation.....	2,160,000,000	400,000,000	933,000,000	1,627,000,000
Canada Mortgage and Housing Corporation—				
Capital stock.....	25,000,000			25,000,000
Housing	4,790,036,920		387,364,492	4,402,672,428
Real estate	289,440,564		21,061,844	268,378,720
Joint projects	1,622,946,892		110,398,045	1,512,548,847
Urban renewal scheme	1,409,758		588,845	820,913
Student housing projects.....	319,136,287		6,507,854	312,628,433
Sewage treatment projects.....	759,860,302		41,661,669	718,198,633
Ownership assistance	51,998,731		3,833,941	48,164,790
	7,859,829,454		571,416,690	7,288,412,764
Canadian National Railway System—				
Capital stock.....	2,278,866,774	999,785,340	3,278,652,114	
Consolidated loan	80,679,807		80,679,807	
	2,359,546,581	999,785,340	3,359,331,921	
Export Development Corporation	851,200,000	132,000,000		983,200,000
Farm Credit Corporation—				
Contributed capital	1,118,333,000			1,118,333,000
Notes	2,513,946,988	839,993,700	1,053,308,331	2,300,632,357
Farm syndicates loan fund.....	9,673,352		280,495	9,392,857
	3,641,953,340	839,993,700	1,053,588,826	3,428,358,214
Other—				
Atomic Energy of Canada Limited—				
Capital stock.....	15,000,000			15,000,000
Contributed capital	149,159,473			149,159,473
Housing	888,380		288,043	600,337
Heavy water inventory.....	13,500,000		1,000,000	12,500,000
	178,547,853		1,288,043	177,259,810
Less: consolidation adjustment⁽¹⁾.....	178,547,853		177,259,810	177,259,810
	178,547,853		178,547,853	178,547,853
Bank of Canada	5,920,000			5,920,000
Canada Development Investment Corporation.....	395,658,315			395,658,315
Canada Ibernia Holding Corporation—				
Contributed surplus	208,362,196	104,187,722		312,549,918
Canada Ports Corporation—				
Loans	512,745		72,698	440,047
Interport Loan Fund	50,000,000			50,000,000
	50,512,745		72,698	50,440,047
Canada Post Corporation	80,000,000			80,000,000
Canadian Dairy Commission.....	31,740,000	319,752,000	312,992,000	38,500,000
Cape Breton Development Corporation.....	5,000,000	10,000,000		15,000,000
Freshwater Fish Marketing Corporation	2,800,000	24,100,000	21,900,000	5,000,000
Montreal Port Corporation	4,110,802		585,636	3,525,166
Prince Rupert Port Corporation	15,778,732		444,255	15,334,477
Royal Canadian Mint—				
Capital stock	40,000,000			40,000,000
Loans	2,847,560		2,673,065	174,495
	42,847,560		2,673,065	40,174,495
Saint John Port Corporation	18,052,457			18,052,457
Vancouver Port Corporation	2,396,046		330,762	2,065,284
	1,041,726,706	458,039,722	517,546,269	982,220,159
Total	18,217,656,081	2,879,818,762	6,434,883,706	14,662,591,137

⁽¹⁾ Atomic Energy of Canada Limited is a Crown corporation that was consolidated in 1995-96. Details are provided in Section 4 of this volume.

Business Development Bank of Canada (previously the Federal Business Development Bank)

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Common shares

On July 13, 1995, the Government's contribution to the paid-in capital of the Corporation in the amount of \$590 million (of which \$286.6 million was charged to expenditures) was converted into 5,900,000 common shares of the Corporation. Effective March 31, 1996, 2,866,000 common shares were cancelled resulting in a corresponding reduction of \$286.6 million in the paid-in capital.

Preferred shares

During the year, the Government purchased \$50 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*.

Canada Deposit Insurance Corporation

The Corporation was established by the *Canada Deposit Insurance Corporation Act*, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Section 42 of the *Canada Deposit Insurance Corporation Act* provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$6,000,000.

The loans bear interest at rates from 5.87 percent to 7.33 percent per annum, and are repayable between July 23, 1996 and July 17, 1998.

During the year, the Corporation paid interest of \$123.2 million to the Government.

Canada Mortgage and Housing Corporation

The Corporation was established by the *Canada Mortgage and Housing Corporation Act*, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$680.1 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is authorized by section 16 of the *Canada Mortgage and Housing Corporation Act*.

Housing

Advances have been made to enable the Corporation to lend money under the following sections of the *National Housing Act*:

- (a) Section 24(1)—for rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Section 26(1)—to any person to assist in
 - (i) the construction, purchase or improvement of a low-rental housing project;
 - (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,
 - (iii) the conversion of existing buildings into a low-rental housing project;
- (c) Section 27.5—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;
- (d) Section 51(1)—
 - (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof;
 - (ii) to an occupier of a family housing unit for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,

- (iii) to a non profit corporation for the purpose of assisting in the conversion of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;
- (e) Section 61(1)—to cooperatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;
- (f) Section 76(1)—to any person that wishes to undertake a project
- (i) for individuals or families of low income; or,
 - (ii) to meet the needs of individuals resulting from age, infirmity or other disability;
- (g) Section 80(1)—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;
- (h) Section 81(1)—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;
- (i) Section 97(1)—to persons to whom a loan is not being made available pursuant to Part I of section 24, the Corporation may make such a loan subject to the same terms, conditions and limitations that exist under Part I of section 24; and,
- (j) Section 98—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

The advances bear interest at rates from 3.5 percent to 16.0962 percent per annum, and are repayable over 1 to 50 years, with final instalments between June 30, 1996 and September 30, 2037.

Real estate

Section 92(1) of the *National Housing Act* authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials and equipment and other personal property for use in connection with housing projects.

The advances bear interest at rates from 2 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on December 30, 2037.

Joint projects

Section 79(1) of the *National Housing Act* authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereto; (b) the construction of housing projects or housing accommodation of the hostel or dormitory

type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing project or for housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 3 percent to 17.9 percent per annum, and are repayable over 1 to 50 years, with final instalments between June 30, 1996 and December 30, 2039.

Urban renewal scheme

Advances have been made to enable the Corporation to lend money under section 25(1) of the *National Housing Act*, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at rates from 5.81 percent to 7.195 percent per annum, and are repayable over 15 to 50 years, with final instalments between June 30, 1996 and December 31, 1999.

Student housing projects

Advances have been made to enable the Corporation to lend money under section 88(1) of the *National Housing Act*, to a province or an agency thereof, a municipality or an agency thereof, or a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5 percent to 10.054 percent per annum, and are repayable over 20 to 50 years, with final instalments between June 30, 1996 and September 30, 2030.

Sewage treatment projects

Advances have been made to enable the Corporation to lend money under section 53 of the *National Housing Act*, to any province, municipality or municipal sewage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5 percent to 10.376 percent per annum, and are repayable over 20 to 50 years, with final instalments between June 30, 1996 and December 31, 2023.

Ownership assistance

Advances have been made to enable the Corporation to lend money under sections 57(1) and 58(1) of the *National Housing Act*, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 8.125 percent to 9.3889 percent per annum, and are repayable over 18 to 20 years, with final instalments between June 30, 1996 and December 31, 2008.

Canadian National Railway System

The Corporation was established by the *Canadian National Railways Act*, to provide, operate and manage a national system of railways.

The *CN Commercialization Act*, assented to July 13, 1995, provided for the privatization of the Canadian National Railway Company (CN). The privatization of CN was finalized in 1995-96.

Capital stock

The Government's investment in the capital of the Corporation was recorded in this account.

In 1995-96, the Government acquired 1 additional common share of CN for \$900 million. The Government subsequently sold its total investment in CN. The proceeds generated from the disposal of CN amounted to \$2,079 million of which \$1,219 million was received by March 31, 1996 and \$860 million will be received on or before November 26, 1996. Also, further to a subscription and indemnity agreement between the Government and CN, 3,800,000 shares of CN were simultaneously purchased and sold by the Government for \$99 million. An amount of \$58 million was received by March 31, 1996 and \$41 million will be received on or before November 26, 1996. The balance of the account in the amount of \$1,101 million was transferred to expenditures pursuant to the *CN Commercialization Act*.

Consolidated loan

During the year, the Corporation paid interest of \$7.3 million to the Government and the loan was repaid in full.

Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by section 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Contributed capital

The Government's contribution to the capital of the Corporation is authorized by section 11(1) of the *Farm Credit Corporation Act*.

Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the Act, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 20 years, bearing interest at rates from 7.5 percent to 10.145 percent per annum, with final instalments between July 1, 1996 and November 30, 1998, \$80,391,045;
- (b) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 10.145 percent per annum, with final instalments between January 1, 1997 and December 1, 2009, \$583,093,559;
- (c) repayable over 2 to 9 years, bearing interest at rates from 6.29 percent to 10.206 percent per annum, with the final instalment on April 4, 2003, \$1,442,147,753; and,
- (d) repayable in under 2 years, bearing interest at rates from 5.52 percent to 6.65 percent per annum, \$195,000,000.

During the year, the Corporation paid interest of \$207.8 million to the Government.

Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to section 8 of the *Farm Syndicates Credit Act*, to enable the Corporation to make loans. Section 3(1) of the Act allowed the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings were or were to be erected for use primarily by the syndicate or its members, in their farming operations.

The *Farm Syndicates Credit Act* was repealed in 1993-94. This account will remain open for repayments.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at the rate of 9.555 percent per annum, with the final instalment on February 26, 2001, \$335,165; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.95 percent to 9.68 percent per annum, with final instalments between September 27, 1997 and March 1, 1999, \$9,057,692.

During the year, the Corporation paid interest of \$0.7 million to the Government.

Atomic Energy of Canada Limited

The Corporation was incorporated pursuant to the *Canada Corporations Act*, and continued under the *Canada Business Corporations Act*, to develop the utilization of atomic energy for peaceful purposes.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$1 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is recorded in this account.

Contributed capital

The Government's contribution to the capital of the Corporation is recorded in this account.

Housing

Loans have been made to finance the construction of housing near the Whiteshell Nuclear Research Establishment.

The loans bear interest at rates from 5.875 percent to 8.5 percent per annum, and are repayable in equal monthly instalments over 30 years, with final instalments between February 28, 1997 and June 30, 2003.

Heavy water inventory

Loans have been made to finance the production and purchase of heavy water for lease or resale to Canadian and foreign users.

The loans bear interest at the rate established every May 1 and November 1 by the Minister of Finance, in respect of borrowings having a six month term by Crown corporations. The loans are repayable in equal semi-annual instalments over 20 years, with the final instalment on May 1, 2008.

Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,841.2 million to the Government.

Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

During the year, the Corporation paid dividends of \$10 million to the Government.

Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. To honor its obligations to fund the Project, the Corporation receives financial assistance from the Government. Such financial assistance is treated as contributed surplus.

During the year, payments totalling \$104,187,722 were made to the Canada Hibernia Development Corporation as authorized by Finance Votes L30 and L30a, *Appropriation Acts No. 1, No. 2 and No. 3, 1995-96*.

Canada Ports Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans

Under the authority of the *Canada Ports Corporation Act*, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation.

The remaining loan to Belledune bears interest at a rate of 6.44 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

The Corporation paid interest of \$33,021 and dividends of \$316,239 to the Government in 1995-96.

Interport Loan Fund

This Fund was established to provide financing for financially viable capital projects of the Corporation and of the seven local port corporations.

The aggregate amount of loans authorized to be outstanding, at any time, is not to exceed \$50,000,000.

The Corporation will make annual repayments equal to 90 percent of the net income related to each of the loans advanced to the Interport Loan Fund.

The Corporation transferred \$5.3 million of profit to the Government in 1995-96.

Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan has been made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*, to finance capital expenditures. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

The loan bears interest at the rate of 9.705 percent per annum, and is repayable on April 27, 1998.

The Corporation paid interest of \$7.8 million to the Government in 1995-96.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 5.0633 percent to 8.4794 percent per annum, and are repayable within 1 year.

The Corporation paid interest of \$3 million to the Government in 1995-96.

Cape Breton Development Corporation

The Corporation was established by the *Cape Breton Development Corporation Act*, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000.

The working capital advances bear interest at the rate in effect, as determined by the Minister of Finance.

The Corporation paid interest of \$304,731 to the Government in 1995-96.

Freshwater Fish Marketing Corporation

The Corporation was established by the *Freshwater Fish Marketing Act*, to regulate interprovincial and export trade in freshwater fish, and to market and trade in fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, pursuant to section 16 of the *Freshwater Fish Marketing Act*, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, is \$30,000,000.

The loan bears interest at the rate of 5.9411 percent per annum, and is repayable no later than April 12, 1996.

During the year, the Corporation paid interest of \$122,924 to the Government.

Montreal Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Montreal.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Montreal.

The remaining loan bears interest at the rate of 6.25 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$256,925 and dividends of \$2.4 million to the Government.

Prince Rupert Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Prince Rupert.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Prince Rupert.

The terms and conditions of the loans, with their year-end balances, are as follows:

(a) bearing interest at rates of 9.80 percent to 9.86 percent per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2009, \$3,884,456; and,

(b) bearing interest at the rate of 10.4 percent per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2010, \$11,450,021.

During the year, the Corporation paid interest of \$1.6 million and dividends of \$15,662 to the Government.

Royal Canadian Mint

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Capital stock

Section 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

Loans

Section 17(1) of the Act states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$50,000,000.

Section 17(3) of the Act states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

The loans bear interest at annual rates of 8.75 percent and 9.50 percent and are repayable annually, with final instalments between April 1, 1997 and June 1, 1998.

During the year, the Corporation paid interest of \$16,166 to the Government.

Saint John Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Saint John.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Saint John.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) bearing interest at rates from 11 percent to 11.875 percent per annum, repayable at maturity on December 31, 1998 and December 31, 1999, \$8,817,600;
- (b) bearing interest at the rate of 12.43 percent per annum, repayable at maturity on December 31, 2000, \$6,665,062; and,
- (c) bearing interest at the rate of 11.625 percent per annum, repayable at maturity on December 31, 2005, \$2,569,795.

During the year, the Corporation paid interest of \$2.1 million to the Government.

Vancouver Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Vancouver.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Vancouver.

The remaining loan bears interest at the rate of 7.5 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$179,703 and dividends of \$3.3 million to the Government.

Summary Financial Statements of Enterprise Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act*.

For those corporations having other year ends, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation in accordance with its own respective accounting policies. Most Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous

items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1996 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations is presented in Table 9.7. The maturity and currency of enterprise Crown corporations' borrowings is presented in Table 9.8. Contingent liabilities of enterprise Crown corporations are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations for the year ended March 31, 1996 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS BY SEGMENT
(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
ASSETS AND LIABILITIES						
AS AT MARCH 31, 1996						
Assets						
Financial						
Outside parties	1,226,866	2,527,456	31,959,387	7,244,329	92,917	43,050,955
Government and Crown corporations	758,593	24,521,370	2,114,175	45,631	49,515	27,489,284
Total financial assets	1,985,459	27,048,826	34,073,562	7,289,960	142,432	70,540,239
Physical assets and deferred charges	3,299,657	224,021	557,489	1,209,396	741,981	6,032,544
Total assets	5,285,116	27,272,847	34,631,051	8,499,356	884,413	76,572,783
Liabilities						
Outside parties						
Borrowings	776,289		18,206,873	6,387,015	3,355	25,373,532
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	1,401,621	1,460,944	4,191,410	1,980,313	211,947	9,246,235
Government and Crown corporations	505,401	268,030	11,343,451	115,404	24,137	12,256,423
Total liabilities	2,683,311	27,242,847	33,741,734	8,482,732	239,439	72,390,063
Equity of Canada	2,601,805	30,000	889,317	16,624	644,974	4,182,720
Total liabilities and equity	5,285,116	27,272,847	34,631,051	8,499,356	884,413	76,572,783
Contingent liabilities			411,567		80,050	544,279
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY						
FOR THE YEAR ENDED MARCH 31, 1996						
Revenues						
Outside parties	5,275,820		3,665,830	5,978,171	356,525	15,276,346
Government and Crown corporations						
Financial assistance			14,078	11,823	46	25,947
Other	385,714	1,841,163	263,702	203	4,973	2,495,755
Total revenues	5,661,534	1,841,163	3,943,610	5,990,197	361,544	17,798,048
Expenses						
Outside parties	5,269,016		2,397,296	5,986,411	547,105	14,199,828
Government and Crown corporations						
327,602			891,151	5,438	20,907	1,245,098
Total expenses	5,596,618		3,288,447	5,991,849	568,012	15,444,926
Net income/loss(-) for the year	64,916	1,841,163	655,163	(1,652)	(206,468)	2,353,122
Equity of Canada, beginning of the year	5,452,814	30,000	30,281	18,575	847,056	6,378,726
Adjustments	(3,254,412)		21,873		(299)	(3,232,838)
Equity transactions with the Government—						
Dividends	(16,237)	(1,841,163)				(1,857,400)
Capital	354,724		182,000		4,386	541,110
Equity of Canada, end of the year	2,601,805	30,000	889,317	16,624	644,974	4,182,720

Notes to Table 9.4 are an integral part of this table.

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS —ASSETS AND LIABILITIES
AS AT MARCH 31, 1996
(in thousands of dollars)

Enterprise Crown corporations ⁽¹⁾	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Outside parties	Government and Crown corporations		
Competitive, self-sustaining				
Atomic Energy of Canada Limited ⁽²⁾				
Canada Development Investment Corporation	50,691	83,560	10	134,261
Theratronics International Limited	7,111		15,592	22,703
Canada Hibernia Holding Corporation	316,990			316,990
Canada Lands Company Limited ⁽³⁾	53,045		341,854	394,899
Canada Ports Corporation	6,490	145,131	106,092	257,713
Canada Post Corporation	451,732	111,801	1,951,846	2,515,379
Canadian National Railway System ⁽⁴⁾				
Halifax Port Corporation	3,017	9,202	56,259	68,478
Montreal Port Corporation	9,372	72,523	159,674	241,569
Petro-Canada Limited	286,778	248,655		535,433
Port of Quebec Corporation	3,683	4,948	52,326	60,957
Prince Rupert Port Corporation	1,794	14,908	95,920	112,622
Royal Canadian Mint	13,505	1,578	71,051	86,134
Saint John Port Corporation	1,191	6,411	58,841	66,443
St John's Port Corporation	584	4,480	11,812	16,876
Vancouver Port Corporation	20,883	55,396	378,380	454,659
<i>Total—Competitive, self-sustaining</i>	1,226,866	758,593	3,299,657	5,285,116
Bank of Canada	2,527,456	24,521,370	224,021	27,272,847
Lending and Insurance				
Canada Deposit Insurance Corporation	1,207,122	86	1,656	1,208,864
Canada Mortgage and Housing Corporation	13,071,001	442,365	60,499	13,573,865
Insurance Programs	833,726	1,132,320	307,045	2,273,091
Export Development Corporation	9,129,474	459,206	11,723	9,600,403
Farm Credit Corporation	4,133,396	78,437	159,602	4,371,435
Business Development Bank of Canada	3,584,668	1,761	16,964	3,603,393
<i>Total—Lending and insurance</i>	31,959,387	2,114,175	557,489	34,631,051
Marketing				
Canadian Commercial Corporation	312,254	528		312,782
Canadian Dairy Commission				
Marketing operations	10,994	32,342	94,221	137,557
Canadian Saltfish Corporation ⁽⁵⁾				
Canadian Wheat Board, The	6,917,306	12,761	1,099,911	8,029,978
Freshwater Fish Marketing Corporation	3,775		15,264	19,039
<i>Total—Marketing</i>	7,244,329	45,631	1,209,396	8,499,356
Other				
Atlantic Pilotage Authority	1,142		763	1,905
Cape Breton Development Corporation	33,785	86	225,631	259,502
Great Lakes Pilotage Authority, Ltd.	5,317		69	5,386
Laurentian Pilotage Authority	4,879		3,418	8,297
Pacific Pilotage Authority	4,378		900	5,278
St. Lawrence Seaway Authority, The	42,686	49,428	509,309	601,423
Seaway International Bridge Corporation Ltd, The	730	1	1,891	2,622
<i>Total—Other</i>	92,917	49,515	741,981	884,413
<i>Total—Enterprise</i>	43,050,955	27,489,284	6,032,544	76,572,783

⁽¹⁾ All enterprise Crown corporations listed in this table are parent Crown corporations except the Seaway International Bridge Corporation Ltd, which is an unconsolidated subsidiary.

⁽²⁾ After a review of its operations, it has been determined that Atomic Energy of Canada Limited meets the criteria of consolidated Crown corporations and is now presented in Section 4 of this volume.

⁽³⁾ During 1995-96, Canada Lands Company acquired certain real estate assets of the Canadian National Railway Company, and the Company's mandate was changed to improve and sell these assets on a commercially viable basis. The Government of Canada does not anticipate funding this operation. Therefore, the Company is now classified as an enterprise Crown corporation.

⁽⁴⁾ Pursuant to the CN Commercialisation Act of July 1995, the Canadian National Railway Company was privatized in November 1995.

⁽⁵⁾ Canadian Saltfish Corporation was dissolved as of March 31, 1995.

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	8,875	17,026	25,901	108,360	134,261
	15,678		15,678	7,025	22,703
	5,992	27	6,019	310,971	316,990
63,526	80,329	912	144,767	250,132	394,899
	12,067	246,714	258,781	(1,068)	257,713
198,994	1,157,696	132,474	1,489,164	1,026,215	2,515,379
	2,487	163	2,650	65,828	68,478
	16,856	4,358	21,214	220,355	241,569
489,573	43,986		533,559	1,874	535,433
	2,535	6,701	9,236	51,721	60,957
	2,132	15,334	17,466	95,156	112,622
4,500	20,847	395	25,742	60,392	86,134
19,696	3,238	18,653	41,587	24,856	66,443
	586	43	629	16,247	16,876
	28,317	62,601	90,918	363,741	454,659
776,289	1,401,621	505,401	2,683,311	2,601,805	5,285,116
	26,974,817	268,030	27,242,847	30,000	27,272,847
	869,611	1,640,226	2,509,837	(1,300,973)	1,208,864
5,906,037	266,630	7,362,510	13,535,177	38,688	13,573,865
	2,215,587	15,208	2,230,795	42,296	2,273,091
7,673,336	589,366	18,554	8,281,256	1,319,147	9,600,403
1,582,345	63,292	2,305,967	3,951,604	419,831	4,371,435
3,045,155	186,924	986	3,233,065	370,328	3,603,393
18,206,873	4,191,410	11,343,451	33,741,734	889,317	34,631,051
	294,759	1,399	296,158	16,624	312,782
	98,970	38,587	137,557		137,557
6,377,342	1,577,218	75,418	8,029,978		8,029,978
9,673	9,366		19,039		19,039
6,387,015	1,980,313	115,404	8,482,732	16,624	8,499,356
	1,369		1,369	536	1,905
	171,947	22,544	194,491	65,011	259,502
3,347	2,697		2,697	2,689	5,386
	5,288		8,635	(338)	8,297
	3,435		3,435	1,843	5,278
	26,198		26,198	575,225	601,423
8	1,013	1,593	2,614	8	2,622
3,355	211,947	24,137	239,439	644,974	884,413
25,373,532	34,760,108	12,256,423	72,390,063	4,182,720	76,572,783

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

Enterprise Crown corporations	Outside parties	Revenues		
		Government and Crown corporations		Total
		Financial assistance ⁽¹⁾	Other	
Competitive, self-sustaining				
Atomic Energy of Canada Limited	5,400		386	5,786
Canada Development Investment Corporation	36,619			36,619
Theratronics International Limited				
Canada Hibernia Holding Corporation				
Canada Lands Company Limited	78,750			78,750
Canada Ports Corporation	56,299		5,594	61,893
Canada Post Corporation	4,661,179		292,300	4,953,479
Canadian National Railway System				
Halifax Port Corporation	12,061		615	12,676
Montreal Port Corporation	51,459		10,994	62,453
Petro-Canada Limited	22,535		20,698	43,233
Port of Quebec Corporation	11,698		1,114	12,812
Prince Rupert Port Corporation	12,393		1,019	13,412
Royal Canadian Mint	248,729		48,718	297,447
Saint John Port Corporation	12,383		477	12,860
St John's Port Corporation	2,815		375	3,190
Vancouver Port Corporation	63,500		3,424	66,924
<i>Total—Competitive, self-sustaining</i>	5,275,820		385,714	5,661,534
Bank of Canada			1,841,163	1,841,163
Lending and insurance				
Canada Deposit Insurance Corporation	586,024		42	586,066
Canada Mortgage and Housing Corporation	981,664		84,105	1,065,769
Insurance Programs	418,022		132,932	550,954
Export Development Corporation	925,354		24,560	949,914
Farm Credit Corporation	378,166		22,063	400,229
Business Development Bank of Canada	376,600	14,078		390,678
<i>Total—Lending and insurance</i>	3,665,830	14,078	263,702	3,943,610
Marketing				
Canadian Commercial Corporation	974,582	11,823		986,405
Canadian Dairy Commission				
Marketing operations	418,692		203	418,895
Canadian Saltfish Corporation				
Canadian Wheat Board, The	4,537,781			4,537,781
Freshwater Fish Marketing Corporation	47,116			47,116
<i>Total—Marketing</i>	5,978,171	11,823	203	5,990,197
Other				
Atlantic Pilotage Authority	7,638	46	25	7,709
Cape Breton Development Corporation	181,495		1,744	183,239
Great Lakes Pilotage Authority, Ltd	11,128			11,128
Laurentian Pilotage Authority	35,322			35,322
Pacific Pilotage Authority	34,153			34,153
St. Lawrence Seaway Authority, The	83,893		3,204	87,097
Seaway International Bridge Corporation Ltd, The	2,896			2,896
<i>Total—Other</i>	356,525	46	4,973	361,544
<i>Total—Enterprise</i>	15,276,346	25,947	2,495,755	17,798,048

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. A further amount of \$541,110 representing capital and operating appropriations received by the corporations is included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Income/or loss(-)	Equity beginning of year	Equity transactions with Government		Equity end of year	
	Government and Crown corporations	Total			Adjustments	Dividends		
3,945		3,945	1,841	474,097	(474,097)		108,360	
38,890		38,890	(2,271)	114,249	2,270	(10,000)	7,025	
	479	479	(479)	9,296			310,971	
78,197	38	78,235	515	206,343		105,107	249,617	
41,338	11,032	52,370	9,523	(10,282)		(309)	250,132	
4,623,659	301,639	4,925,298	28,181	998,034			(1,068)	
				2,781,668	(2,781,668)		1,026,215	
10,664	500	11,164	1,512	64,495		(179)	65,828	
49,653	1,641	51,294	11,159	211,639		(2,443)	220,355	
42,675		42,675	558	2,233	(917)		1,874	
11,766	1,030	12,796	16	51,705			51,721	
11,222	1,611	12,833	579	94,620		(43)	95,156	
296,196	192	296,388	1,059	59,333			60,392	
8,993	3,386	12,379	481	24,375			24,856	
2,447	385	2,832	358	15,889			16,247	
49,371	5,669	55,040	11,884	355,120		(3,263)	363,741	
5,269,916	327,602	5,596,618	64,916	5,452,814	(3,254,412)	(16,237)	354,724	
			1,841,163	30,000		(1,841,163)	30,000	
17,280	122,623	139,903	446,163	(1,747,136)			(1,300,973)	
609,691	460,643	1,070,334	(4,565)	43,253			38,688	
317,922	131,152	449,074	101,880	(59,584)			42,296	
926,512	(16,359)	910,153	39,761	1,145,386	2,000		1,319,147	
168,920	190,938	359,858	40,371	359,587	19,873		419,831	
356,971	2,154	359,125	31,553	288,775		50,000	370,328	
2,397,296	891,151	3,288,447	655,163	30,281	21,873		182,000	
983,170	4,887	988,057	(1,652)	18,276			16,624	
418,558	337	418,895		299	(299)			
4,537,781		4,537,781						
46,902	214	47,116						
5,986,411	5,438	5,991,849	(1,652)	18,575	(299)		16,624	
7,466	20	7,486	223	266		47	536	
373,371	17,263	390,634	(207,395)	272,406			65,011	
9,739		9,739	1,389	1,300			2,689	
39,313		39,313	(3,991)	(686)		4,339	(338)	
35,464		35,464	(1,311)	3,154			1,843	
79,421	3,059	82,480	4,617	570,608			575,225	
2,331	565	2,896		8			8	
547,105	20,907	568,012	(206,468)	847,056		4,386	644,974	
14,199,828	1,245,098	15,444,926	2,353,122	6,378,726	(3,232,838)	(1,857,400)	541,110	4,182,720

Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that "An annual statement of all borrowing transactions on behalf of Her Majesty shall be included in the *Public Accounts of Canada*". The borrowings are from other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 1996, an allowance for borrowings expected to be repaid by the Government was established at \$4,190 million.

Borrowings by non-agent enterprise Crown corporations are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS (in thousands of dollars)

	Balance April 1/1995	Borrowings and other credits	Rcpayments and other charges	Balance March 31/1996
Atomic Energy of Canada Limited	8,840		8,840	
Canada Lands Company Limited		76,275	12,749	63,526
Canada Mortgage and Housing Corporation	3,629,736	10,693,782	8,417,481	5,906,037
Canada Post Corporation	198,994			198,994
Canadian Wheat Board, The	7,320,972	51,904,370	52,848,000	6,377,342
Export Development Corporation	7,514,803	33,304,877	33,146,344	7,673,336
Farm Credit Corporation	990,210	1,941,237	1,349,102	1,582,345
Business Development Bank of Canada	2,722,837	10,612,738	10,290,420	3,045,155
Freshwater Fish Marketing Corporation	5,974	3,699		9,673
Petro-Canada Limited	504,018		14,445	489,573
Royal Canadian Mint		4,500		4,500
Saint John Port Corporation	19,696			19,696
Seaway International Bridge Corporation, Ltd., The	8			8
Total	22,916,088	108,541,478	106,087,381	25,370,185
Borrowings expected to be repaid by agent enterprise Crown corporations		(18,626,088)	108,541,478	106,187,381
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities	4,290,000		100,000	4,190,000

Notes to Table 9.4 are an integral part of this table.

Borrowings by Enterprise Crown Corporations

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations. Borrowings of non-agent Crown corporations are not on behalf of Her Majesty.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS (in thousands of dollars)

	Balance April 1/1995	Borrowings and other credits	Repayments and other charges	Balance March 31/1996
Borrowings by agent enterprise Crown corporations.....	22,916,088	108,541,478	106,087,381	25,370,185
Borrowings by non-agent enterprise Crown corporations-				
Atlantic Pilotage Authority	166		166	
Canadian National Railway System.....	2,331,191		2,331,191	
Laurenlia Pilotage Authority	1,088	2,259		3,347
	2,332,445	2,259	2,331,357	3,347
Total	25,248,533	108,543,737	108,418,738	25,373,532

Notes to Table 9.4 are an integral part of this table.

Maturity and Currency of Borrowings by Enterprise Crown Corporations

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations, as at March 31, 1996.

TABLE 9.8

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS (in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
1997	11,019,162	3,347	11,022,509
1998	2,575,430		2,575,430
1999	3,524,121		3,524,121
2000	3,251,698		3,251,698
2001	1,409,599		1,409,599
2002 to 2006	2,274,647		2,274,647
2007 to 2011	1,315,528		1,315,528
Total	25,370,185	3,347	25,373,532

Notes to Table 9.4 are an integral part of this table.

(¹) The borrowings are composed of \$12,849,744 US, £ 136,819, ¥ 329,749, DM 798,046, Ecu 167,950, SF 56,769, NG 22,810, FF 4,252, and \$11,007,393 Cdn.

Contingent Liabilities of Enterprise Crown Corporations

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.9

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS (in thousands of dollars)

March 31, 1996

<i>Agent enterprise Crown corporations</i>	
Canada Mortgage and Housing Corporation—Insulation claims and other litigation	35,500
Canada Mortgage and Housing Corporation—Insurance programs	81,500
Canada Lands Company Limited—Loan guarantee	7,183
Canada Ports Corporation—Miscellaneous litigation	3,800
Cape Breton Development Corporation—Miscellaneous litigation	1,200
Export Development Corporation—Loan guarantees and with recourse, Insurance activities	294,247
Business Development Bank of Canada—Loan guarantees	320
Halifax Port Corporation—Miscellaneous litigation	2,015
Montreal Port Corporation—Miscellaneous litigation	2,900
Port of Quebec Corporation—Miscellaneous litigation	5,000
St John's Port Corporation—Miscellaneous litigation	364
St Lawrence Seaway Authority—Claims for damages	73,000
Vancouver Port Corporation—Claims for damages	31,400
Total	538,429
<i>Non-agent enterprise Crown corporations</i>	
Atlantic Pilotage Authority—Miscellaneous litigation	350
Laurentian Pilotage Authority—Miscellaneous litigation	5,500
Total	5,850

Notes to Table 9.4 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent and non-agent enterprise Crown corporations. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 9.10

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
Agent enterprise Crown corporations			
Canada Ports Corporation	1,921	1,921	
Canada Post Corporation	83,279 ⁽²⁾	83,279	
Canadian Commercial Corporation	11,823	11,823	
Canadian Dairy Commission	2,461	2,461	
Canadian Wheat Board, The	18,207	18,207	
Export Development Corporation	71,701 ⁽³⁾	71,701	
Business Development Bank of Canada	14,078	14,078	
	203,470	203,470	
Non-agent enterprise Crown corporation			
Laurentian Pilotage Authority	5,070	5,070	
	5,070	5,070	
Total	208,540	208,540	

(1) Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

(2) Includes payment of \$69,279 for costs associated with cultural publication mailings.

(3) Payment made pursuant to section 32 of the *Export Development Act* concerning the concessional (Canada Account) loans.

Joint and Mixed Enterprises

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's loans, investments and advances to such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 9.11
JOINT AND MIXED ENTERPRISES

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Petro-Canada—Finance—				
Capital stock—Common	3,326,354,321		2,101,187,147	1,225,167,174
Preferred	972,771,853		972,771,853	
	4,299,126,174		3,073,959,000	1,225,167,174
Other—				
Canarctic Shipping Company Limited—Transport				
Lower Churchill Development Corporation Limited—				
Natural Resources	14,750,000			14,750,000
National Sea Products Ltd—Finance	59,540,000			59,540,000
North Portage Development Corporation—				
Western Economic Diversification				
NPM Nuclear Project Managers Canada Inc—				
Natural Resources				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Federal Office of Regional				
Development-Quebec	400			400
	74,290,400			74,290,400
Total	4,373,416,574		3,073,959,000	1,299,457,574

Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

In 1995-96, the Government sold a major portion of its investment in Petro-Canada. The proceeds generated from the disposal of 123.9 million shares amounted to \$1,746 million of which \$693 million was received by March 31, 1996. The remaining \$1,053 million will be received in two equal installments on or before September 26, 1996 and March 24, 1997. An amount of \$1,328 million was transferred to expenditures pursuant to the *Petro-Canada Public Participation Act*.

As of March 31, 1996, the Government's holding has been reduced to 49.4 million shares, representing about 20 percent ownership of Petro-Canada.

Canarctic Shipping Company Limited

The Corporation was incorporated under the *Canada Corporations Act*, and continued under the *Canada Business Corporations Act*, to acquire, sell, lease, charter and otherwise deal in and with ships of every description, and to do all other things necessary or incidental thereto.

In 1977-78, 305,996 common shares of Canarctic Shipping Company Limited having a total value of \$305,996, and representing 51 percent of the common shares outstanding, were purchased and charged to expenditures (Transport Vote 10—Marine operating expenditures). The balance of outstanding shares is owned by North Water Navigation Ltd.

Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

National Sea Products Ltd

The Corporation was incorporated under the *Nova Scotia Companies Act*, to process and market fish, seafoods and fish by-products. The objective of the Government's participation is to restructure the Nova Scotia fishery.

Pursuant to the *Atlantic Fisheries Restructuring Act*, the Government has acquired shares in the Corporation. The Government's holding consists of 776,488 no par value non-assessable common shares. This represents 10.65 percent of the shares outstanding.

North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

NPM Nuclear Project Managers Canada Inc

The Corporation was incorporated under the *Canada Business Corporations Act*, to manage nuclear projects and construction. The objective of the Government's participation is to transfer this activity from Atomic Energy of Canada Ltd to the private sector.

The Government has purchased 60 no par value common shares. The purchase cost of these shares was charged to expenditures.

The Government's holding of shares represents 17.14 percent of the shares outstanding. The balance of the outstanding shares is owned by three private sector corporations.

Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12
NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Finance—				
China	49,426,118			49,426,118
Jamaica	25,000,000		2,181,537	22,818,463
United Kingdom—				
United Kingdom Financial Agreement Act, 1946	211,250,050		33,485,254	177,764,796
Deferred principal	94,990,863			94,990,863
306,240,913			33,485,254	272,755,659
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	1,072,470,450	268,352,118	218,100,302	1,122,722,266
Developing countries—Canadian International Development Agency—International development assistance.....	1,828,485,357	1,693,305	77,596,596	1,752,582,066
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable	443,429	18,011	167,480	293,960
Total	3,282,066,267	270,063,434	331,531,169	3,220,598,532

China

A loan to China was authorized under the *Export Credits Insurance Act*.

Jamaica

A loan has been made to the Government of Jamaica, to provide economic assistance.

The loan agreement has been amended by the following Rescheduling Agreements:

- (a) the Rescheduling Agreement dated October 18, 1985, provided for the deferment of the principal repayment in the amount of \$5,000,000 due on August 9, 1985;
- (b) the Rescheduling Agreement dated June 4, 1987, provided for the deferment of principal repayments totaling \$10,000,000 due on August 9, 1986 and August 9, 1987; and,
- (c) the Rescheduling Agreement dated July 25, 1989, provided for the deferment of principal repayments totaling \$10,000,000 due on August 9, 1988 and August 9, 1989.

United Kingdom

United Kingdom Financial Agreement Act, 1946

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000.

Deferred principal

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority

because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		
	April 1/1995	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	March 31/1996
		\$		\$	
NON-BUDGETARY LOANS					
(a) 1 to 5 year term, 5.8 percent (London Interbank Offered Rate (LIBOR)) to 7.25 percent interest per annum, with final repayments between May 1988 and November 1997:					
Argentina.....	59,429,179			5,262,670	55,150,208
Brazil.....	5,135,029			1,247,622	3,499,819
Cameroun.....	1,790,525		3,115,800	1,246,414	3,659,911
Gabon.....	934,465			914,627	19,838
Jamaica.....	2,372,113			227,598	286,725
Kazakhstan.....	2,343,325			650,546	1,630,972
Mexico.....	7,113,874			972,038	188,755
Peru.....	1,036,324				1,036,324
Russia and USSR.....	101,560,375			33,205,421	962,910
Sudan.....	1,757,599				44,976
Ukraine.....	13,949,229			9,485,938	467,732
	197,422,037		3,115,800	53,212,874	3,076,632
(b) 6 to 10 year term, 5.8 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:					
Algeria.....	4,793,082	12,861,358		1,055,510	16,380,050
Argentina.....	59,202,568	4,851,849		1,486,248	62,568,169
Cameroun.....	14,906,713			862,938	2,949,885
Chile.....	1,646,895				1,646,895
China.....	93,941,171		60,021	501,667	93,499,525
Congo.....	413,204				10,574
Ecuador.....	10,365,204			2,743,758	276,019
Egypt.....	5,584,444			1,353,799	7,345,427
Gabon.....	21,861,608	4,560,564		3,155,284	149,491
Jamaica.....	10,201,403			605,601	22,661,287
Kazakhstan.....	15,455,314			1,782,824	22,118
Kenya.....	15,329,655			1,309,477	8,396,461
Lithuania.....		6,761,160	21,207	415,193	13,730,644
Morocco.....	174,243,083	144,028		1,572,816	391,820
Romania.....	295,219,980	28,668,599		6,782,367	13,365,019
Rwanda.....	6,276,841				10,574
Sudan.....	7,440,136			18,862,260	402,630
	642,940,130	151,788,729	81,228	4,477,189	151,047,662
(c) 11 to 15 year term, 5.8 percent (LIBOR) to 8.25 percent interest per annum, with final repayments between July 1996 and January 2007:				7,325,309	316,563,270
Algeria.....	121,027			160,623	6,116,218
Argentina.....	32,914,555			190,391	7,249,745
Brazil.....	7,818,402			20,326,236	38,416,298
	40,853,984				23,759,718
Insurance claims paid during the year:					31,416,711
Cuba.....	29,965,997			6,206,279	14,656,580
Russia.....		14,597,520	59,060	14,597,520	39,333,154
Total—Non-budgetary.....	911,182,148	166,386,249	3,256,088	94,117,330	23,425,854
					963,281,301

	Payments and other charges		Receipts and other credits			March 31/1996
	April 1/1995	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
		\$	\$	\$	\$	
BUDGETARY LOANS⁽³⁾						
(a) 1 to 15 year term, 5.8 percent (LIBOR) to 11 percent interest per annum, with final repayments between May 1988 and June 2012:						
Argentina	30,205,000			8,630,000		21,575,000
Chile		1,606,215		459,964		1,146,251
Egypt	6,004,911			970,486	158,385	4,876,040
Madagascar	25,065,636				641,422	24,424,214
Poland	43,527,282				1,113,850	42,413,432
Tanzania	26,351,772		10,941,382			37,293,154
Zambia	8,239,754				178,425	8,061,329
	139,394,355		12,547,597	10,060,450	2,092,082	139,789,420
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2005 and June 2012:						
Mexico	24,297,832			1,805,204	637,806	21,854,822
Thailand	31,643,346			970,267	437,311	30,235,768
	55,941,178			2,775,471	1,075,117	52,090,590
(c) 21 to 25 year term, 0.5 percent to 3.5 percent interest per annum, with final repayments between June 2014 and April 2018:						
Algeria	12,895,138					12,895,138
China	301,379,642	51,974,752			7,740,242	345,614,152
Congo	3,601,026				92,149	3,508,877
Indonesia	44,675,655	337,989			1,045,433	43,968,211
	362,551,461	52,312,741			8,877,824	405,986,378
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroon	23,737,640				1,889,630	21,848,010
China	196,392,706	633,034			5,028,036	191,997,704
Egypt	14,255,793				117,633	14,138,160
Gabon	12,687,798				324,677	12,363,121
India	71,014,977			12,162	1,817,473	69,185,342
Jamaica	10,239,489				262,026	9,977,463
Kenya	10,912,627				273,972	10,360,724
Morocco	143,538,772	90,890			277,931	139,956,761
Pakistan	10,544,254				128,440	141,385
Turkey	140,085,969	5,110,041			3,583,203	141,612,807
	633,410,025	5,833,965			414,574	621,714,521
Subtotal—Budgetary	1,191,297,019	58,146,706	12,547,597	13,250,495	29,159,918	1,219,580,909
Less: budgetary treatment	1,030,008,717	3,125,427	24,890,051	58,146,705		1,060,139,944
Total—Budgetary	161,288,302	61,272,133	37,437,648	71,397,200	29,159,918	159,440,965
Total	1,072,470,450	227,658,382	40,693,736	165,514,530	52,585,772	1,122,722,266
SUMMARY						
Total—Non-budgetary	911,182,148	166,386,249	3,256,088	94,117,330	23,425,854	963,281,301
Total—Budgetary	1,191,297,019	58,146,706	12,547,597	13,250,495	29,159,918	1,219,580,909
Less: budgetary treatment	2,102,479,167	224,532,955	15,803,685	107,367,825	52,585,772	2,182,862,210
	1,030,008,717	3,125,427	24,890,051	58,146,705		1,060,139,944
Total	1,072,470,450	227,658,382	40,693,736	165,514,530	52,585,772	1,122,722,266

⁽¹⁾ Payments or other charges may include transactions such as loans, adjustments, etc.

⁽²⁾ Receipts or other credits may include transactions such as repayments, forgiveness, etc.

⁽³⁾ Concessional non-budgetary loans made prior to April 1, 1987 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans in this table.

Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 have been fully provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

During the year, loans totalling \$11,910,000 were forgiven under the authority of Foreign Affairs and International Trade Vote 21b, *Appropriation Act No. 4, 1995-96*.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to

individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/1995	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1996
	\$	\$	\$	\$
(a) 10 year term, 1 year grace period, 5 percent interest per annum, with final repayments between January 2002 and July 2002:				
Egypt	54,537,641			54,537,641
(b) 20 year term, 5 year grace period, 5 percent interest per annum, with final repayments between September 2000 and March 2001:				
Turkey	9,620,368		2,064,287	7,556,081
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil	7,720,554		751,611	6,968,943
Chile	640,050		182,869	457,181
Colombia	8,268,075		2,088,504	6,179,571
Cuba	9,547,012			9,547,012
Dominican Republic	1,527,623		96,011	1,431,612
Korea	108,596		65,168	43,428
Malaysia	5,220,288		703,029	4,517,259
Salvador, El	3,544,154		2,345,128	1,199,026
Turkey	4,058,696		214,131	3,844,565
	40,635,048		6,446,451	34,188,597
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El	1,413,310		171,948	1,241,362
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	394,987		33,333	361,654

	April 1/1995	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1996
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	12,786,873			12,786,873
Argentina	420,000		18,667	401,333
Bolivia	1,144,667		42,395	1,102,272
Brazil	512,397		20,913	491,484
Chile	2,274,048		98,062	2,175,986
Colombia	13,570,324		1,101,137	12,469,187
Costa Rica	22,711,618		2,269,999	20,441,619
Dominican Republic	6,810,432		236,035	6,574,397
Ecuador	8,159,141		304,918	7,854,223
Guatemala	3,235,613		150,000	3,085,613
Honduras	28,062,972		3,300,000	24,762,972
India	586,940,924		19,646,962	567,293,962
Indonesia	240,848,358		6,286,098	234,562,260
Malaysia	2,300,907		62,935	2,237,972
Malta	724,980		25,000	699,980
Mexico	62,356		2,772	59,584
Morocco	14,691,199			14,691,199
Myanmar (Burma)	8,306,202			8,306,202
Nicaragua	16,923,270		900,000	16,023,270
Pakistan	503,351,947		23,730,520	479,621,427
Paraguay	429,927		19,996	409,931
Peru	87,628		3,728	83,900
Philippines	3,312,357		161,390	3,150,967
Salvador, El	521,199		344,872	176,327
Sri Lanka	140,204,876		4,200,400	136,004,476
Thailand	29,452,611		1,010,184	28,442,427
Tunisia	97,924,222		4,943,594	92,980,628
	1,745,771,048		68,880,577	1,676,890,471
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	36,730,193			36,730,193
Subtotal	1,889,102,595		77,596,596	1,811,505,999
Less: budgetary treatment	60,617,238	1,693,305 ⁽²⁾	77,596,596	58,923,933
Total	1,828,485,357	1,693,305	77,596,596	1,752,582,066

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

(1) Receipts and other credits may include transactions such as repayments, forgiveness, etc.

(2) This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investments but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represent a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

TABLE 9.13

INTERNATIONAL ORGANIZATIONS

	Payments and other charges			Receipts and other credits		
	Participation, note encashments or other charges		Revaluation	Reimbursements, note issuances or other credits		Revaluation
	April 1/1995	\$	\$	\$	\$	\$
NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES						
Capital subscriptions—						
Finance—						
European Bank for Reconstruction and Development	133,243,040	32,548,936			4,011,480	161,780,496
Less: notes payable	16,665,380	16,426,833	334,966	16,274,468	4,011,480	16,178,049
I/16,577,660	48,975,769	334,966	16,274,468	4,011,480		I/45,602,447
International Bank for Reconstruction and Development (World Bank)	395,068,738				4,110,884	390,957,854
International Finance Corporation	94,019,244	9,778,423			2,860,028	100,937,639
Multilateral Investment Guarantee Agency	8,977,631				257,292	8,720,339
Less: notes payable	4,488,815		128,646			4,360,169
4,488,816		128,646			257,292	4,360,170
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank	93,996,862				1,015,867	92,980,995
Asian Development Bank	178,944,422	4,616,520			4,292,251	179,268,691
Less: notes payable			64,308	4,616,520		4,552,212
Caribbean Development Bank	21,226,106	1,856,184	64,308	4,616,520	4,292,251	174,716,479
Less: notes payable	4,249,462		83,808	1,816,867		5,982,521
Inter-American Development Bank	16,976,644	1,856,184	83,808	1,816,867	550,259	16,549,510
Less: notes payable	217,927,659	5,494,152			6,228,202	217,193,609
I/17,959,837	8,005,225		589,714	5,494,152	6,228,202	14,859,050
I/199,967,822	13,499,377		589,714	5,494,152	6,228,202	202,334,559
I/1,100,040,208	78,726,273	I,201,442		28,202,007	23,326,263	I,128,439,653
Loans and advances—						
Finance—						
International Monetary Fund—						
Enhanced Structural Adjustment Facility	324,552,920	146,675,956			11,129,781	35,507,759
Foreign Affairs and International Trade—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization	54,010				3,896	50,114
Customs Co-operation Council	13,701				1,327	12,374
Food and Agriculture Organization	1,259,100				32,220	1,226,880
General Agreement on Tariffs and Trade	67,258				4,851	62,407
International Maritime Organization	2,459				202	2,257
International Atomic Energy Agency	535,536				13,704	521,832
International Civil Aviation Organization	240,068				6,143	233,925
Paris Union of the World Intellectual Property Organization	139,170				10,038	129,132
United Nations Educational, Scientific and Cultural Organization	1,045,641				26,758	1,018,883
United Nations organizations	4,350,890				111,338	4,239,552
World Health Organization	216,943				5,552	211,391
I/7,924,776					216,029	7,708,747
I/322,477,696	I/146,675,956			I/11,129,781	I/35,723,788	I/432,300,083
Total—Non-budgetary	1,432,517,904	225,402,229	I,201,442	39,331,788	59,050,051	I,560,739,736
SUMMARY—NON-BUDGETARY						
Participation	1,475,881,398	200,970,171		11,129,781	59,050,051	I,606,671,737
Less: notes payable	43,363,494	24,432,058	I,201,442	28,202,007		I,45,932,001
Total—Non-budgetary	1,432,517,904	225,402,229	I,201,442	39,331,788	59,050,051	I,560,739,736
BUDGETARY LOANS AND ADVANCES⁽¹⁾						
Finance—						
Global Environment Facility	10,000,000					10,000,000
Less: notes payable	3,100,000	2,100,000				1,000,000
6,900,000	2,100,000					9,000,000
International Development Association	4,676,421,727	276,333,334 ⁽²⁾				4,952,758,061
Less: notes payable	813,801,366	224,318,700				865,816,000
3,862,623,361	500,652,034					4,086,942,061

TABLE 9.13INTERNATIONAL ORGANIZATIONS—*Concluded*

	Payments and other charges			Receipts and other credits		
	April 1/1995	Participation, note encashments or other charges	Revaluation	Reimbursements, note issuances or other credits	Revaluation	March 31/1996
		\$	\$	\$	\$	\$
Foreign Affairs and International Trade—Canadian International Development Agency—						
International financial institutions—						
African Development Bank.....	3,218,896			125,000		3,093,896
African Development Fund.....	1,163,301,666				3,007,498	1,160,294,168
Less: notes payable	435,418,126	21,984,116				413,434,010
727,883,540	21,984,116				3,007,498	746,860,158
Andean Development Corporation.....	3,562,576			125,000		3,437,576
Asian Development Bank—Special.....	27,027,000					27,027,000
Asian Development Fund.....	1,398,435,880					1,398,435,880
Less: notes payable	530,097,969	95,853,069				434,244,900
868,337,911	95,853,069					964,190,980
Caribbean Development Bank—						
Agricultural Development Fund.....	8,600,000			6,600,000 ⁽³⁾		2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional.....	5,596,800				160,400	5,436,400
Caribbean Development Bank—Special.....	103,331,335	10,665,000 ⁽³⁾			503,255	113,493,080
Less: notes payable	28,568,819			4,065,000		32,633,819
74,762,516	10,665,000			4,065,000	503,255	80,859,261
Central American Bank for Economic Integration.....	1,721,279			76,500		1,644,779
Global Environment Facility						
Trust Fund.....	37,000,000	37,000,000				74,000,000
Less: notes payable	30,900,000			37,000,000		67,900,000
6,100,000	37,000,000			37,000,000		6,100,000
Inter-American Development Bank—Fund for Special Operations.....	357,085,074	8,092,116 ⁽⁴⁾			7,245,194	357,931,996
Less: notes payable	23,610,637	23,610,637		5,700,193		5,700,193
333,474,437	31,702,753			5,700,193	7,245,194	352,231,803
Multilateral Investment Fund.....				11,388,294		11,388,294
Less: notes payable			11,388,294		11,388,294	11,388,294
International Bank for Reconstruction and Development.....	27,984,000				802,000	27,182,000
International Fund for Agriculture Development.....	90,207,432					90,207,432
Less: notes payable	26,484,901					26,484,901
63,722,531						63,722,531
International Monetary Fund.....	15,348,430				439,875	14,908,555
Montreal Protocol Fund.....						11,332,175
Less: notes payable		11,254,632	77,543			
		11,254,632		11,254,632		
		22,509,264	77,543	11,254,632		
	2,167,339,916	231,102,496	77,543	76,334,619	12,158,222	2,310,027,114
Subtotal—Budgetary.....	6,036,863,277	733,854,530	77,543	352,667,953	12,158,222	6,405,969,175
Less: budgetary treatment	3,924,880,368			381,590,620		4,306,470,988
Total—Budgetary.....	2,111,982,909	733,854,530	77,543	734,258,573	12,158,222	2,099,498,187
SUMMARY—BUDGETARY						
Participation	7,928,845,095	354,733,376	77,543	6,926,500	12,158,222	8,264,571,292
Less: notes payable.....	1,891,981,818	379,121,154		345,741,453		1,858,602,117
budgetary treatment	6,036,863,277	733,854,530	77,543	352,667,953	12,158,222	6,405,969,175
	3,924,880,368			381,590,620		4,306,470,988
Total—Budgetary.....	2,111,982,909	733,854,530	77,543	734,258,573	12,158,222	2,099,498,187
GENERAL SUMMARY						
Participation	9,404,726,493	555,703,547	77,543	18,056,281	71,208,273	9,871,243,029
Less: budgetary treatment	3,924,880,368			381,590,620		4,306,470,988
Subtotal	5,479,846,125	555,703,547	77,543	399,646,901	71,208,273	5,564,772,041
Less: notes payable	1,935,345,312	403,553,212	1,201,442	373,943,460		1,904,534,118
Total	3,544,500,813	959,256,759	1,278,985	773,590,361	71,208,273	3,660,237,923

⁽¹⁾ Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

⁽²⁾ This amount includes note encashments of \$217,978,700 and note cancellations of \$6,340,000. The International Development Association cancelled certain notes in lieu of paying interest to the Government.

⁽³⁾ An amount of \$6,600,000 was transferred from Agricultural Development Fund to Caribbean Development Bank—Special.

⁽⁴⁾ An amount of \$2,391,923, received as reimbursements of loans made to developing countries for international development assistance, has been advanced to the Inter-American Development Bank—Fund for Special Operations pursuant to a signed agreement.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development, as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 34,000 shares of the capital stock of which 30 percent of the subscribed capital is paid-in. These 34,000 shares represent Canada's initial subscription, as authorized by the *European Bank for Reconstruction and Development Agreement Act*. The Act quoted a limit of US \$120 million in respect of the paid-in portion. The subscription for the paid-in portion is being paid over a five-year period starting in 1991. Paid-in shares are purchased using cash and notes payable that are later encashed.

The total value of these shares is \$396,783,400 US, of which 30 per cent or \$119,035,020 US is paid-in capital. The rest is subject to call by the Bank under certain circumstances. As at March 31, 1996, Canada has subscribed to paid-in shares valued at \$119,035,020 US and has outstanding notes payable of \$11,903,502 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn).

During the year, transactions involving the paid-in portion included subscriptions in cash and through demand notes, encashments of previous notes payable and revaluation adjustments.

Canada's contingent liability for the callable portion of its shares is \$277,748,380 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1996, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable. The foreign portion of the payments was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn).

During the year, the only transaction was a revaluation adjustment of \$4.3 million.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1996, Canada has subscribed to 74,268 shares. These shares have a total value of \$74,268,000 US, all of which has been paid-in. The paid-in amounts were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn).

During the year, transactions involving paid-in shares included subscriptions in cash and a revaluation adjustment. Under the 1991 General Capital Increase, Canada plans to subscribe to an additional 7,074 shares over the next year evaluated at \$7.1 million US, which represents a commitment.

Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1996, Canada has subscribed to 2,965 shares. The total value of these shares is \$32,081,300 US, of which \$6,416,260 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn).

During the year, the only transactions involving the paid-in portion were revaluation adjustments.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$25,665,040 US.

African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30 Appropriation Acts No. 1 and No. 2, 1995-96).

At year-end, authority had been granted for subscriptions of 6,300 paid-in shares and 44,100 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1996, Canada's participation to the paid-in capital is \$92,980,995 Cdn for 6,300 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn). During the year, transactions involving paid-in shares included only an adjustment to reevaluate amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$175,651,308 Cdn and \$380,000,250 US for a total value of \$692,109,648 Cdn.

Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30 *Appropriation Acts No. 1 and No. 2, 1995-96*).

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1996, Canada's participation to the paid-in capital is \$179,268,691 Cdn for 11,388 paid-in shares. Of these paid-in shares, 9,018 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn). During the year, transactions involving paid-in shares included additional subscriptions made through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to reevaluate amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,680,762,654 Cdn. Of this latter amount, \$1,263,899,800 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30, *Appropriation Acts No. 1 and No. 2, 1995-96*).

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1996, Canada's participation to the paid-in capital is \$22,532,031 Cdn for 2,278 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn). During the year, transactions involving paid-in shares included additional subscriptions in cash and the issuance of notes for the maintenance of value. In addition, an adjustment was made to reevaluate amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$66,598,422 Cdn.

Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30, *Appropriation Acts No. 1 and No. 2, 1995-96*).

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1996, Canada's participation to the paid-in capital is \$217,193,609 Cdn for 13,054 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3591 Cdn). During the year, transactions involving paid-in shares included additional subscriptions made through the issuance of non-interest bearing notes, and the encashment of previous notes payable. In addition, an adjustment was made at year-end to reevaluate amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,681 US for a total value of \$5,254,564,217 Cdn. Of this latter amount, \$1,221,064,385 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

International Monetary Fund—Enhanced Structural Adjustment Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 500 million.

As at March 31, 1996, Canada has lent a total of 221,843,750 SDR to the Enhanced Structural Adjustment Facility. Of this amount, 8,044,000 SDR has been repaid. The outstanding balance of 213,799,750 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$1.98593 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 46,697,586 SDR, which do not appear in Table 9.13.

International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included the encashment of previous notes payable.

As at March 31, 1996, advances to the GEF amounted to \$10,000,000 Cdn. Outstanding notes payable amounted to \$1,000,000 Cdn.

International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable, as well as the encashment and cancellation of previous notes payable.

As at March 31, 1996, Canada's total participation in IDA amounted to \$4,952,758,061 Cdn. Outstanding notes payable amounted to \$865,816,000 Cdn. It should be noted that subscriptions to the Association represent a very small proportion of Canada's total participation.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L25, *Appropriation Acts No. 1 and No. 2, 1995-96*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made through note issuances, encashments of notes issued in previous years, revaluations for foreign currency fluctuations, and other miscellaneous adjustments.

Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
NEWFOUNDLAND—				
Atlantic Canada Opportunities Agency—				
Special areas and highways agreement	7,933,355		4,026,780	3,906,575
Finance—				
Federal-provincial fiscal arrangements	44,303,200		759,292	43,543,908
Municipal Development and Loan Board	3,138,436		290,286	2,848,150
Winter capital projects fund	6,780,861		36,135	6,744,726
	54,222,497		1,085,713	53,136,784
Industry—				
Atlantic Development Board carry-over projects	558,824		69,808	489,016
Atlantic Provinces Power Development Act	54,111,803		3,576,962	50,534,841
	54,670,627		3,646,770	51,023,857
Total Newfoundland.....	116,826,479		8,759,263	108,067,216
NOVA SCOTIA—				
Atlantic Canada Opportunities Agency—				
Special areas and highways agreement	3,036,888		1,067,581	1,969,307
Finance—				
Federal-provincial fiscal arrangements	73,340,800	36,259,226		109,600,026
Municipal Development and Loan Board	407,522		124,113	283,409
Winter capital projects fund	617,372		617,372	
	74,365,694	36,259,226	741,485	109,883,435
Industry—				
Atlantic Development Board carry-over projects	2,115,114		290,909	1,824,205
Atlantic Provinces Power Development Act	21,343,478		21,343,478	
	23,458,592		21,634,387	1,824,205
Total Nova Scotia.....	100,861,174	36,259,226	23,443,453	113,676,947
PRINCE EDWARD ISLAND—				
Atlantic Canada Opportunities Agency—				
Comprehensive development plan agreement	7,445,414		517,573	6,927,841
Finance—				
Federal-provincial fiscal arrangements	21,315,000	7,889,735		29,204,735
Municipal Development and Loan Board	404,814		40,343	364,471
Winter capital projects fund	409,453		97,970	311,483
	22,129,267	7,889,735	138,313	29,880,689
Total Prince Edward Island.....	29,574,681	7,889,735	655,886	36,808,530

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
NEW BRUNSWICK—				
Atlantic Canada Opportunities Agency—				
Special areas and highways agreement	13,361,203		2,924,266	10,436,937
Finance—				
Federal-provincial fiscal arrangements	31,230,524		40,381,364	(9,150,840)
Municipal Development and Loan Board	1,918,344		173,542	1,744,802
Winter capital projects fund	8,425,360		136,448	8,288,912
41,574,228			40,691,354	882,874
Industry—				
Atlantic Development Board carry-over projects	(4,996)		(4,996)	
Atlantic Provinces Power Development Act	22,027,368		2,271,498	19,755,870
22,022,372			2,266,502	19,755,870
Natural Resources—				
Regional electrical interconnections	4,083,422		120,064	3,963,358
Total New Brunswick	81,041,225		46,002,186	35,039,039
QUEBEC—				
Finance—				
Federal-provincial fiscal arrangements	192,201,600		173,798,109	18,403,491
Municipal Development and Loan Board	24,413,261		2,982,593	21,430,668
216,614,861			176,780,702	39,834,159
Industry—				
Federal Office of Regional Development-Quebec—				
Special areas and highways agreement	26,536,695		2,156,548	24,380,147
Total Quebec	243,151,556		178,937,250	64,214,306
ONTARIO—				
Finance—				
Municipal Development and Loan Board	1,241,140		1,118,363	122,777
Winter capital projects fund	7,305,259		3,495,886	3,809,373
Total Ontario	8,546,399		4,614,249	3,932,150
MANITOBA—				
Finance—				
Federal-provincial fiscal arrangements	144,562,000		45,851,818	98,710,182
Municipal Development and Loan Board	512,144		159,682	352,462
Winter capital projects fund	825,344		253,519	571,825
145,899,488			46,265,019	99,634,469
Western Economic Diversification—				
Special areas and highways agreement	526,679		353,919	172,760
Total Manitoba	146,426,167		46,618,938	99,807,229

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
SASKATCHEWAN—				
Agriculture and Agri-Food—				
Agricultural service centres	2,244,880		543,378	1,701,502
Finance—				
Federal-provincial fiscal arrangements	141,319,000	121,254,464	20,000,000	242,573,464
Municipal Development and Loan Board	83,786 141,402,786	121,254,464	28,119 20,028,119	55,667 242,629,131
Total Saskatchewan	143,647,666	121,254,464	20,571,497	244,330,633
ALBERTA—				
Finance—				
Municipal Development and Loan Board	870,036		54,972	815,064
Winter capital projects fund	86,796 956,832		86,796 141,768	815,064
Western Economic Diversification—				
Special areas and highways agreement	479,049		306,993	172,056
Total Alberta	1,435,881		448,761	987,120
BRITISH COLUMBIA—				
Finance—				
Municipal Development and Loan Board	1,069,524		233,064	836,460
Winter capital projects fund	2,516,134		1,719,907	796,227
Total British Columbia	3,585,658		1,952,971	1,632,687
NORTHWEST TERRITORIES—				
Finance—				
Winter capital projects fund	60,275		29,058	31,217
Indian Affairs and Northern Development—				
Government of the Northwest Territories	16,450		16,450	
Total Northwest Territories	76,725		45,508	31,217
YUKON TERRITORY—				
Indian Affairs and Northern Development—				
Government of the Yukon Territory	1,323,149		398,216	924,933
Total Yukon Territory	1,323,149		398,216	924,933
Total	876,496,760	165,403,425	332,448,178	709,452,007

Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 6.3519 percent to 9.5757 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1996 and April 1, 2005.

Federal-provincial fiscal arrangements

These amounts represent overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act*, and other statutory authority. These overpayments are non-interest bearing and are recovered in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1996 and March 31, 2016.

Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.2 percent to 9.28 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity, with final repayments between April 1, 1996 and February 28, 1999.

Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 3 to 10 years at various anniversary amortization dates, with final instalments between July 31, 1999 and April 1, 2006.

Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 18 years, with final instalments due between March 31, 1997 and March 31, 2014.

Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

Regional electrical interconnections

Loans have been made to assist in financing regional electrical interconnections, under agreements between the Government of Canada and the Provinces of Manitoba, New Brunswick and Nova Scotia.

The remaining unpaid loans, to the Province of New Brunswick, bear interest at 9.35 percent per annum, and are repayable in annual instalments over 31 years, with final instalments on March 31, 2011.

Special areas and highways agreement—Federal Office of Regional Development—Quebec

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 5.768 percent to 10.164 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1996 and March 31, 2009.

Special areas and highways agreement—Western Economic Diversification

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 7.1689 percent to 9.9448 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1996 and April 1, 1999.

Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

Government of the Northwest Territories

Loans have been made to the Government of the Northwest Territories, for the making of second mortgage loans to municipalities and school districts for capital projects.

The loans were repaid in full during the year.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Second mortgage	19,461		2,820	16,641
Low cost housing	23,691		12,255	11,436
Capital expenditures .	387,649		64,792	322,857
Outside parties—				
Capital projects	892,348		318,349	573,999
	1,323,149		398,216	924,933

The loans bear interest at rates from 5.375 percent to 11.375 percent per annum, and are repayable in equal annual instalments over 15 to 35 years, with final instalments between June 30, 1996 and November 24, 2003.

Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15
OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	11,940,327	702,514,914	702,600,381	11,854,860
Personnel posted abroad	12,441,488	8,677,468	9,943,321	11,175,635
	24,381,815	711,192,382	712,543,702	23,030,495
National Defence—				
Imprest accounts, standing advances and authorized loans	37,630,172	555,476,261	563,014,691	30,091,742
Public Works and Government Services—				
Miscellaneous accountable advances	8,512,908	16,840,360	19,095,910	6,257,358
Miscellaneous accountable imprest and standing advances	14,803,306	1,162,418	1,773,010	14,192,714
	23,316,214	18,002,778	20,868,920	20,450,072
Total— Loans and accountable advances	85,328,201	1,284,671,421	1,296,427,313	73,572,309
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	13,841,247		1,137,607	12,703,640
Atlantic Canada Opportunities Agency—				
Loans to assist industry in the Cape Breton area	3,442,816			3,442,816
	4,444,855		103,583	4,341,272
	7,887,671		103,583	7,784,088
Canadian Heritage—				
Cultural industries	21,765,570	2,480,000		24,245,570
	(450)	450		
	21,765,120	2,480,450		24,245,570
Citizenship and Immigration—				
Transportation and assistance loans	50,723,907	12,136,848	12,116,454	50,744,301
Finance—				
Canadian Commercial Bank	65,885,768		505,694	65,380,074
	126,096		4,827	121,269
	66,011,864		510,521	65,501,343
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
	17,025			17,025
	1,348,337			1,348,337
	1,493,677			1,493,677
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	67,330,051	226,257,738	19,501,236	274,086,553
Human Resources Development—				
Provincial workers' compensation boards	8,488,000	971,467		9,459,467
Indian Affairs and Northern Development—				
Council for Yukon Indians	15,212,779	790,171	266,632	15,736,318
	Inuit loan fund (previously Eskimo loan fund)	920,029		794,412
				125,617
	14,866,299	16,393,731		31,260,030
	6,882,075	150,000	3,001,998	4,030,077
	316,136		110,040	206,096
	261,099,295	24,596,936	3,285,191	282,411,040
	46,214,274		1,400,000	44,814,274
	345,510,887	41,930,838	8,858,273	378,583,452

TABLE 9.15**OTHER LOANS, INVESTMENTS AND ADVANCES—Concluded**

	April 1/1995	Payments and other charges	Receipts and other credits	March 31/1996
	\$	\$	\$	\$
Industry—				
Canadian defence industry	986,665		924,150	62,515
Company stock option				
Manufacturing, processing and service industries in Canada	110,000,000			110,000,000
	<i>110,986,665</i>		<i>924,150</i>	<i>110,062,515</i>
National Defence—				
Canadian Forces housing projects	8,724,479		895,399	7,829,080
Natural Resources—				
Hibernia Development Project		66,000,000		66,000,000
Hydro-Quebec Research Institute.....	5,214,312		5,214,312	
	<i>5,214,312</i>	<i>66,000,000</i>	<i>5,214,312</i>	<i>66,000,000</i>
Public Works and Government Services—				
Defence Production Loan Account.....	1,724,007		1,724,007	
Seized Property Working Capital Account	1,383,632	9,834,250	10,523,746	694,136
PEI Fixed Link	726,000,000	46,838,000		772,838,000
	<i>729,107,639</i>	<i>56,672,250</i>	<i>12,247,753</i>	<i>773,532,136</i>
Solicitor General—Correctional Service—				
Parolees	24,526	14,855	21,424	17,957
Transport—				
Hamilton Harbour Commissioners.....	275,000		50,000	225,000
Saint John Harbour Bridge Authority	29,038,617		405,126	28,633,491
	<i>29,313,617</i>		<i>455,126</i>	<i>28,858,491</i>
Veterans Affairs—				
Commonwealth War Graves Commission	68,085		5,844	62,241
Veterans' Land Act Fund—				
Advances	16,780,704	1,099,521	6,340,400	11,539,825
Less: allowance for conditional benefits	2,800			2,800
	<i>16,777,904</i>	<i>1,099,521</i>	<i>6,340,400</i>	<i>11,537,025</i>
	<i>16,845,989</i>	<i>1,099,521</i>	<i>6,346,244</i>	<i>11,599,266</i>
Subtotal	1,483,269,651	407,563,967	68,332,082	1,822,501,536
Add: consolidation adjustment⁽¹⁾	141,791,000	116,380,000		258,171,000
Total—Other	1,625,060,651	523,943,967	68,332,082	2,080,672,536
Total	1,710,388,852	1,808,615,388	1,364,759,395	2,154,244,845

⁽¹⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$8,833,764; advances for medical expenses, \$1,199,928; security and other deposits under Foreign Service Directives, \$718,775; and, school and club debentures, \$423,168.

The loans to employees bear interest at rates from 4 percent to 14 percent per annum, and are repayable over 1 to 5 years, with final instalments between April 1, 1996 and March 1, 2001.

Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$100,000,000.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.375 percent per annum, and are repayable over 20 to 30 years, with final instalments between December 1, 1996 and October 1, 2006.

Loans to assist industry in the Cape Breton area

Loans have been made for the purpose of promoting the establishment, growth, efficiency and international competitiveness of Canadian industry or to assist them in their financial restructuring and to foster the expansion of Canadian trade to a person engaged or about to engage in a manufacturing, processing or service industry in the Cape Breton area.

The loans bear interest at rates from 11 percent to 13.75 percent per annum, and are repayable at various dates, with final instalments by December 12, 2000.

Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Enterprise Newfoundland Labrador on behalf of the Government of Canada.

These loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates, with final instalments by April 1, 1999.

Cultural industries

Payments have been made to the Cultural Industries Development Fund to establish a program of loans to cultural industries. These loans are made to Canadian owned and controlled firms in cultural industries to encourage the growth of the Canadian book publishing, film and video and sound recording industries.

During the year, additional loans were authorized by Canadian Heritage Vote L21a, *Appropriation Act No. 3, 1995-96*.

Amounts accumulated in the Fund only have to be repaid if the program is terminated. Interest on the loans issued by the Fund is at the prime rate and is fixed for the life of a particular loan.

Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L20, *Appropriation Acts No. 1 and No. 2, 1995-96*, no loans were made during the year. The total loan authority is \$10,000 per year.

Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 6 percent to 15 percent per annum, with final instalments between April 1, 1996 and April 1, 2003, \$1,397,873; and,
- (b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1996 and April 1, 2003, \$49,346,428.

Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

Ottawa Civil Service Recreational Association

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

Groundfish processors

Loans have been made to assist processors of groundfish in Canada, who, as determined by the Fisheries Prices Support Board, are unable to obtain sufficient financing on reasonable terms from other sources, to maintain raw fish prices, i.e. prices to primary producers, at the 1966-67 level. The loans bore interest at the rate of 8.75 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1984. No loan repayments nor interest were received since November 1982.

Loans, in the amount of \$3,000,000, have also been made to ice-affected fish plants in Newfoundland, Labrador and North Shore, Quebec, to provide advances for working capital assistance to Canadian producers of groundfish products in Newfoundland and Quebec, who were affected by severe ice conditions in May and June 1974. The loans bore interest at rates from 8 percent to 10 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1985.

Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that

were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	April 1/1995	Payments and other charges		Receipts and other credits		March 31/1996
		Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
NON-BUDGETARY LOANS						
(a) 1 to 5 year term, 5.8 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001:						
Brazil	4,626,010				118,378	4,507,632
Iran	30,806,558	2,709,800			802,794	32,713,564
South Africa		174,897,438		10,332,904	4,444,100	160,120,434
	35,432,568	177,607,238		10,332,904	5,365,272	197,341,630
(b) 6 to 10 year term, 5.8 percent (LIBOR) interest per annum, with final repayments June 2004:						
Kyrgyzstan		47,621,179	90,821			47,712,000
Total—Non-budgetary	35,432,568	225,228,417	90,821	10,332,904	5,365,272	245,053,630
BUDGETARY LOANS						
(a) 11 to 15 year term, 7.85 percent interest per annum, with final repayments between October 1983 and September 2001:						
Antigua	13,923,659				1,630,168	774,447
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:						
Thailand	36,674,887					938,500
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:						
Antigua	17,973,824					459,945
Subtotal—Budgetary	68,572,370				1,630,168	64,769,310
Less: budgetary treatment	36,674,887		938,500			35,736,387
Total—Budgetary	31,897,483		938,500	1,630,168	2,172,892	29,032,923
Total	67,330,051	225,228,417	1,029,321	11,963,072	7,538,164	274,086,553
SUMMARY						
Total—Non-budgetary	35,432,568	225,228,417	90,821	10,332,904	5,365,272	245,053,630
Total—Budgetary	68,572,370			1,630,168	2,172,892	64,769,310
Total	104,004,938	225,228,417	90,821	11,963,072	7,538,164	309,822,940
Less: budgetary treatment	36,674,887		938,500			35,736,387
Total	67,330,051	225,228,417	1,029,321	11,963,072	7,538,164	274,086,553

⁽¹⁾ Payments or other charges may include transactions such as loans, adjustments, etc.

⁽²⁾ Receipts or other credits may include transactions such as repayments, forgiveness, etc.

Provincial workers' compensation boards

This account is operated under the authority of section 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Council for Yukon Indians

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indians land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Acts No. 1 and No. 2, 1995-96*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principal for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

Inuit loan fund (previously Eskimo loan fund)

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time was reduced from \$7,072,000 to \$6,633,697 by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 5 percent to 19.5 percent per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1996 and February 2, 2004.

During the year, loans totalling \$538,369 were written off by Indian Affairs and Northern Development Vote 36b, *Appropriation Act No. 4, 1995-96*.

First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaty.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Acts No. 1 and No. 2, 1995-96*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

Indian economic development fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time was reduced from \$53,442,443 to \$50,598,234 by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No 4, 1995-96*.

The loans bear interest at rates from 5 percent to 21 percent per annum, and are repayable over 4 months to 15 years, with final instalments between April 1, 1996 and April 1, 2008.

During the year, loans totalling \$2,612,271, were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1995-96*.

Indian housing assistance fund

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10 percent per annum for up to 10 years.

The Indian Housing Assistance Program expired on March 31, 1996. As such, any outstanding balance will be written off in 1996-97 fiscal year unless recovery is possible.

During the year, \$50,993 was forgiven under the authority of Northern Affairs and National Resources Vote L51a, *Appropriation Act No. 9, 1966*.

Loans totalling \$56,100 were also written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1995-96*.

Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L20, *Appropriation Acts No. 1 and No. 2, 1995-96*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

Yukon Energy Corporation

In accordance with section 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to section 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) loans in the amount of \$12,400,000 bear interest at the rate of 9 percent per annum, are repayable in equal principal annual instalments of \$400,000 plus interest, with the final principal instalment on March 31, 1997 of \$12,000,000 plus interest; and,

(b) loans in the amount of \$32,414,274 bear interest at the rate of 7 percent per annum, are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Arfhihik-Fara (WAF) System are less than 310 GWH per year. Accordingly, the level of sales exceeded 310 GWH this fiscal year, as such clause 2 was not applied and no principal and interest was deferred.

Canadian defence industry

Advances have been made to assist Canadian defence industry with plant modernization.

The advances are non-interest bearing, and are repayable over 1 year, with instalments due between April 1, 1996 and July 1, 1997.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
 - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
 - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*.

Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L20, *Appropriation Acts No. 1 and No. 2, 1995-96*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1996 and November 1, 2010.

Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million will be provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million will be loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

Hydro-Quebec Research Institute

Loans have been made to the Hydro-Quebec Research Institute, guaranteed by the Province of Quebec, to provide financial assistance for construction and operation of the Institute.

The loans were repaid in full during the year.

Defence Production Loan Account

This account was established under section 18 of the *Defence Production Act*, to record loans or advances for any purpose other than to assist in the construction, acquisition, extension or improvement of capital equipment or works by any person.

Section 19 of the *Defence Production Act* stated that the aggregate of expenditures charged to the Defence Production Revolving Fund (budgetary account), and to this account, shall not at any time exceed by more than \$100,000,000 the aggregate of amounts:

- (a) received from the sale or disposition of materials, substances or defence supplies;
- (b) charged to another appropriation in respect of costs of acquisition, storage, maintenance or transportation of stocks of materials or substances purchased, or of stocks of defence supplies acquired, where such materials, substances or defence supplies may be acquired under that appropriation;
- (c) charged to an appropriation or paid by an agent of Her Majesty or by an associated government, to pay costs incurred in respect of defence supplies, payment for which was made out and charged to the Defence Production Revolving Fund; and,
- (d) received in repayment of a loan or advance previously charged to this account.

A repayment of \$1.7 million owed to this account by CAE Aircraft Ltd was forgiven during the year under the authority of Public Works and Government Services Vote 21a, *Appropriation Act No. 3, 1995-96*.

Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

PEI Fixed Link

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge (known as the PEI Fixed Link) between the Provinces of New Brunswick and Prince Edward Island. Payments of the annual subsidy will begin on May 31, 1997 and continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$773 million offset by deferred subsidies which are recorded in this account and which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$14,766 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

The remaining loan bears interest at the rate of 4.125 percent per annum, and is repayable in semi-annual instalments over 39 years, with the final instalment on March 20, 2004.

Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

Veterans' Land Act Fund

Advances

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

Allowance for conditional benefits

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SECTION 10

1995-96

PUBLIC ACCOUNTS OF CANADA

Other Information Related to the Financial Statements

CONTENTS

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Contractual commitments	10.2
Insurance programs of agent enterprise Crown corporations ..	10.10
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International organizations	10.16

OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to the following:

- contractual commitments;
- insurance programs of agent enterprise Crown corporations;
- contingent liabilities; and,
- international organizations.

Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. In the case of contractual commitments to international organizations, some will result in future budgetary expenditures while others will result in non-budgetary payments.

Contractual commitments can be classified into five main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating and capital leases, international organizations and benefit and pension plans.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases.

All outstanding contractual commitments of \$50 million or more per project at year end are reported in the case of fixed assets, purchases, operating leases and transfer payment agreements. All capital lease arrangements with total minimum lease

payments remaining at year end in excess of \$1 million per contract are reported. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

While no details are provided in this section, as indicated in Note 12 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,150 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *RCMP Continuation Act*. The estimated obligations of these plans amount to \$90 million and \$140 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

TABLE 10.1

CONTRACTUAL COMMITMENTS

(in millions of dollars)

	Transfer payments	Acquisition of property	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3	11,110	3,285	971			15,366
Table 10.4			3,106			3,106
Table 10.6				1,516		1,516
Pension plans for veterans					5,750	5,750
Liability under Continuation Acts					230	230
Total	11,110	3,285	4,077	1,516	5,980	25,968

Table 10.2 summarizes the information presented in Table 10.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 1997 to 2001 inclusive, and a total for amounts due in the year 2002 and subsequently.

TABLE 10.2**SCHEDULE OF MINIMUM PAYMENTS**

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Commitments under operating and capital lease arrangements	Commitments to international organizations	Benefit and pension plans	Total
1997	2,891	1,552	201	619	1,198	6,461
1998	2,242	942	202	322	1,198	4,906
1999	2,015	466	204	210	1,198	4,093
2000	2,027	248	209	173	1,198	3,855
2001	1,802	74	190	104	1,188	3,358
2002 and subsequently	133	3	3,071	88		3,295
Total	11,110	3,285	4,077	1,516	5,980	25,968

**Transfer Payment Agreements, Fixed Assets,
Purchases and Operating Leases**

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 12 to the audited financial statements in Section 1 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1996**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2002 and subse- quently
					1997	1998	1999	2000	2001	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program	18,232 ⁽¹⁾	18,232	. .	9,364	8,868 ⁽²⁾	1,808	1,778	1,748	1,769	1,765
Natural Resources— Support for the Hibernia Development Project	974	974		974 ⁽³⁾						
Indian Affairs and Northern Development— Comprehensive land claim agreements Cree Regional Authority (Cree and Naskapi)	334	334	154	180	48	44	44	44	12	27
Inuit of the Nunavut	142	142	49	93	18	12	12	12	12	

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1996—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2002 and subsequently
					1997	1998	1999	2000	2001	
Council for Yukon final agreements—										
Implementation costs for:										
Champagne and Aishihik First Nations										
Vuntut Gwitch'in First Nation										
First Nation of Nacho Nyak Dun										
Teslin Tlingit Council										
Total cost	106	106	23	83	6	22	8	8	8	31
Alternative funding arrangements—										
Eskasoni Band	98	98	58	40 ⁽³⁾	20	20				
Kahnawake Band	118	118	70	48 ⁽³⁾	24	24				
Norway House Band	108	108	65	43 ⁽³⁾	23	20				
Nuu-Chah-Nulth Tribal Council	130	130	103	27 ⁽³⁾	27					
Peguis Band	96	96	61	35 ⁽³⁾	18	17				
Sagkeeng First Nation Fort Alexander	92	92	19	73	18	18	18	19		
Innu Takuatkan Mak Mani Utend	64	64	14	50	13	13	12	12		
Financial transfer arrangement—										
Lesser Slave Lake Indian Regional Council	128	128	28	100	25	25	25	25	25	
Blood Band	239	239	47	192	50	48	47	47	47	
Kee Tas Kee Now Tribal Council	70	70	14	56	14	14	14	14	14	
North Peace Tribal Council	77	77	16	61	16	15	15	15	15	
Betsiamites	81	81	18	63	17	15	16	15	15	
Manitoba Hydro-Electric Board and the Minister of Northern Affairs, Province of Manitoba for the design and construction of transmission lines and related facilities to supply and distribute electrical power in communities	87	87	39	48 ⁽³⁾	9	3	8	18	10	
Canada Infrastructure Works Agreement Indian and Inuit Affairs	29	29	24	5 ⁽³⁾	1	4				
Northern Affairs	6	6	5	1 ⁽³⁾	1					
Atlantic Canada Opportunities Agency—Economic Development Programs										
Canada/Nova Scotia Co-operation Agreement on Economic Diversification	99	99	13	86	24	17	21	20	4	

TABLE 10.3
**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1996—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2002 and subsequently
					1997	1998	1999	2000	2001	
Other Regional Economic Development Programs	497	497	312	185	132	33	14	6		
Canada Infrastructure Works Agreement/Atlantic	181	181	111	70	65	5				
Industry—										
Province of Ontario										
Canada Infrastructure Works Agreement	722	722	507	215	180	30	5			
Federal Office of Regional Development—Quebec—										
Canada Infrastructure Works Agreement—Quebec	527	467	290	177	177					
Western Economic Diversification—										
Canada Infrastructure Program										
Works Agreement										
Province of Manitoba	68	41	41	27 ⁽³⁾	23	4				
Province of Saskatchewan	58	40	40	18 ⁽³⁾	15	3				
Province of Alberta	173	120	120	53	36	17				
Province of British Columbia	225	102	102	123	80	38	5			
Subtotal	23,761	23,480	12,681	11,020	2,888	2,239	2,012	2,024	1,799	58
Consolidated Crown corporation—										
National Capital Commission—										
Province of Quebec										
Road agreement	271	271	181	90	3	3	3	3	3	75
Total transfer payment agreements	24,032	23,751	12,862	11,110	2,891	2,242	2,015	2,027	1,802	133
Fixed assets and purchases—										
Fixed assets—										
Finance—										
Equity interest in Hibernia Project	425	425	313	112	67	33	12			
National Defence—										
Helicopters with integrated logistic support	1,178	944	467	477	265	170	16	13	13	
Light armoured reconnaissance vehicle chassis	565	560	328	232	176	56				
Maritime coastal defence vessels	708	675	352	323	131	119	55	10	8	
Aircraft warfare training capability	196	139	102	37 ⁽³⁾	21	14	2			
Arctic and maritime surveillance aircraft	1,070	1,028	1,002	26 ⁽³⁾	15	9	2			
Canadian Patrol Frigate Program—Warships	8,946	8,531	8,313	218	181	35	2			

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1996—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2002 and subsequently
					1997	1998	1999	2000	2001	
CAE Aviation, procure, install and update avionic systems in CC130 aircraft	137	132	33	99	17	45	26	10	1	
Tactical communications system	1,899	1,470	853	617	177	154	134	113	39	
Military Air Traffic System	179	71	12	59	22	13	21	3		
Systemhouse Ltd., Canadian Forces Supply System upgrade	151	151	30	121	43	42	36			
Transport—										
Automated flight data processing and display systems	659	480	341	139	93	43	3			
Total fixed assets	16,113	14,606	12,146	2,460	1,208	733	309	149	61	
Purchases—										
Industry—										
Canadian Space Agency—										
Radarsat Project	334	334	334	(3)						
Mobile Servicing System for International Space Station	322	322	308	14 (3)	14					
National Defence—										
Ammunition	580	580	255	325	171	71	62	21		
Military pilot training	153	153	105	48 (3)	31	17				
North American Air Defence Modernization—										
Land, buildings, radar sites and communications equipment	255	255	58	197	53	44	48	52		
Human Resources Development—										
EDS Canada Ltd design and build CSDN and install WAN/LAN	271	113	70	43 (3)	21	14	3	5		
Canada Student Financial Assistance Act (Risk Premium)	508	61		61	3	12	15	15	13	3
Subtotal	2,423	1,818	1,130	688	293	158	128	93	13	3
Consolidated Crown corporation—										
Canadian Broadcasting Corporation—										
Sports rights	137	137		137	51	51	29	6		
Total purchases	2,560	1,955	1,130	825	344	209	157	99	13	3
Total fixed assets and purchases	18,673	16,561	13,276	3,285	1,552	942	466	248	74	3

TABLE 10.3
**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1996—Concluded**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2002 and subsequently
					1997	1998	1999	2000	2001	
Operating leases—										
Environment—										
Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C.	328	328	4	324	4	4	3	5	5	303
Public Works and Government Services—										
Journal Building, Ottawa	139	139	14	125	14	14	14	14	14	55
Place de Ville "C", Ottawa	164	164	17	147	18	18	18	18	18	57
200 Kent St., Ottawa	97	97	7	90	11	11	12	12	12	32
<i>Subtotal</i>	<i>728</i>	<i>728</i>	<i>42</i>	<i>686</i>	<i>47</i>	<i>47</i>	<i>47</i>	<i>49</i>	<i>49</i>	<i>447</i>
Consolidated Crown corporations—										
National Capital Commission—										
Chalmers Building 40 Elgin St., Ottawa	126	126	5	121	4	4	4	4	4	101
VIA Rail Canada Inc.—										
Office space	117	117	41	76	4	4	5	5	6	52
Rail services	7 ⁽⁴⁾	7	7 ⁽³⁾							
Canadian Broadcasting Corporation—										
Satellite Lease	88	88		88	22	22	22	22		
<i>Subtotal</i>	<i>338</i>	<i>338</i>	<i>53</i>	<i>285</i>	<i>30</i>	<i>30</i>	<i>31</i>	<i>31</i>	<i>10</i>	<i>153</i>
Total operating leases	1,066	1,066	95	971	77	77	78	80	59	600
Grand total	43,771	41,378	26,233	15,366	4,520	3,261	2,559	2,355	1,935	736

⁽¹⁾ The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment first were reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

⁽²⁾ The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,868 million), should therefore not be interpreted as the total outstanding commitment at March 31, 1996.

⁽³⁾ Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$50 million.

⁽⁴⁾ The contracted amount for the lease of the Toronto Maintenance Centre land was revised to \$1 (one dollar) per year starting in 1996.

Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 12 to the audited financial statements in Section 1 of this volume. A capital lease is a lease that, from the point of view of the Government, transfers substantially all the benefits and risks

incident to ownership of the asset to the Government. Table 10.5 presents commitments under capital lease arrangements in order of maturity. There were no purchase options exercised during the year.

TABLE 10.4**COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS**

(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception	Total estimated minimum lease payments, full term (excluding executory costs)	Implicit interest rate (%)	Balances at March 31, 1996			Net commitments under capital lease arrangements
						Total estimated remaining minimum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs	
Indian Affairs and Northern Development—									
Office equipment	Aug 15, 1994	3	2,389	6,396	6.77	2,923	198		2,725
Office equipment	Oct 15, 1994	3	295	1,802	35.43	951	337		614
				2,684		8,198		3,874	3,339
Public Works and Government Services—									
Guy Favreau Building, Montréal	Dec 1, 1983	35	87,600	422,980	12.6 ⁽¹⁾	284,505	199,504		85,001
240 Sparks St., Ottawa	Jan 1, 1979	35	63,703	213,500	9.1 ⁽¹⁾	108,275	55,615		52,660
L'Esplanade Laurier, Ottawa	July 1, 1975	35	60,374	222,715	9.4 ⁽¹⁾	101,348	51,910		49,438
Place du Centre, Hull	Dec 1, 1977	30	26,201	96,600	11.2 ⁽¹⁾	41,234	20,431		20,803
Terrasses de la Chaudière, Hull	July 1, 1977	35	146,084	637,380	11.4 ⁽¹⁾	324,951	194,985		129,966
Government of Canada Building, (GOCB), Cornwall	Dec 1, 1984	35	9,600	49,420	14.6 ⁽¹⁾	33,418	24,121		9,297
Scarborough (GOCB)	Dec 1, 1984	35	38,900	191,965	13.2 ⁽¹⁾	133,045	95,311		37,734
Chatham (GOCB)	June 1, 1985	35	4,940	20,790	11.8 ⁽¹⁾	14,357	9,658		4,699
Place Vincent Massey, Hull	Aug 1, 1986	25	23,439	78,627	13.0 ⁽¹⁾	48,222	26,200		22,022
Canada Place, Edmonton	Oct 1, 1988	35	105,000	438,165	11.7 ⁽¹⁾	344,273	242,377		101,896
Louis Saint-Laurent, Hull	Aug 1, 1991	25	73,000	223,925	10.8	184,926	115,664		69,262
Block 56, Vancouver	Mar 31, 1995	25	54,100	166,675	11.5	160,564	106,861		53,703
				692,941		2,762,742		1,779,118	1,142,637
Canada Mortgage and Housing Corporation (Government Account)—									
National Office Building, Ottawa	Oct 1, 1990	25	38,982	106,195		11.77 &			
				731,923		2,868,937		73,893	40,385
								1,853,011	1,183,022
									669,989
Consolidated Crown corporation—									
Canadian Broadcasting Corporation—									
Canadian Broadcasting Centre, 250 Front St. W., Toronto ⁽¹⁾	Oct 14, 1988	50	485,111	1,424,463	Varied	1,249,116	837,380		411,736
Total				1,219,718		4,301,598		3,106,001	2,020,937
									1,085,064

⁽¹⁾ Lessors'/Lessees' financing rate per lease agreement is subject to change over term of lease.

TABLE 10.5
COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY
 (in thousands of dollars)

Department and agency	Payments due in											
	1997	1998	1999	2000	2001	2002 to 2006	2007 to 2011	2012 to 2016	2017 to 2021	2022 to 2026	2027 to 2031	Total
Indian Affairs and Northern Development												
Remaining payments	2,794	1,080										3,874
Imputed interest	472	63										535
Net commitments	2,322	1,017										3,339
Public Works and Government Services—												
Remaining payments	80,758	80,758	80,758	80,758	80,758	403,790	414,384	321,586	204,270	31,298		1,779,118
Imputed interest	72,824	71,954	70,989	69,918	68,727	320,574	252,614	150,090	59,506	5,441		1,142,637
Net commitments	7,934	8,804	9,769	10,840	12,031	83,216	161,770	171,496	144,764	25,857		636,481
Canada Mortgage and Housing Corporation (Government Account)—												
Remaining payments	5,169	5,169	5,169	4,785	3,634	18,170	18,170	13,627				73,893
Imputed interest	3,782	3,616	3,430	3,010	2,280	10,000	9,250	5,017				40,385
Net commitments	1,387	1,553	1,739	1,775	1,354	8,170	8,920	8,610				33,508
Consolidated Crown corporation—												
Canadian Broadcasting Corporation—												
Remaining payments	35,601	37,541	40,316	43,699	46,502	142,093	200,748	200,748	200,748	100,372	1,249,116	
Imputed interest	39,314	38,918	38,940	38,888	38,393	94,398	185,254	151,567	122,523	76,330	12,855	837,380
Net commitments	-3,713	-1,377	1,376	4,811	8,109	47,695	15,494	49,181	78,225	124,418	87,517	411,736
Summary—												
Remaining payments	124,322	124,548	126,243	129,242	130,894	564,053	633,302	535,961	405,018	232,046	100,372	3,106,001
Imputed interest	116,392	114,551	113,359	111,816	109,400	424,972	447,118	306,674	182,029	81,771	12,855	2,020,937
Net commitments	7,930	9,997	12,884	17,426	21,494	139,081	186,184	229,287	222,989	150,275	87,517	1,085,064

International Organizations

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 12 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans, ad-

vances and paid-in share capital. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 12 to the audited financial statements in Section 1 of this volume.

TABLE 10.6
INTERNATIONAL ORGANIZATIONS SUMMARY
 (in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans			
Budgetary loans and advances	1,042 417	57	1,099 417
Total	1,459	57	1,516

Insurance Programs of Agent Enterprise

Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented in Table 10.7 has not been audited since the information presented therein is derived from interim financial statements. The most recent annual financial statements of these corporations may be found in the "*President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*". Insurance programs of agent Crown corporations are summarized in Note 13 to the audited financial statements in Section 1 of this volume.

In Table 10.7, a minus " - " sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1996

(in millions of dollars)

	Canada Deposit Insurance Corporation ⁽¹⁾				Canada Mortgage and Housing Corporation ⁽²⁾				Export Development Corporation ⁽³⁾	
			Mortgage Insurance Fund	Mortgage-Backed Securities Guarantee Fund			Rental Guarantee Fund			
	1995-96	1994-95			1995-96	1994-95		1995-96	1994-95	
Insurance in force as at reporting date	327,757	323,895	118,600	103,900	16,601	17,519	*	*	7,821	7,373
Opening balance of Fund ...	-1,747	-1,648	-72	38	18	12	13	13	156	108
Revenues for the year - Premiums and fees	538	513	383	343	9	10			80	54
Investment income	11	9	155	78	3	2	1			
Other revenues	3	10	11	1				1		
Total revenues	552	532	549	422	12	12	1	1	80	54
Expenses for the year - Loss on/provision for claims	-34	430	317	417					52	6
Interest on loans	122	182								
Administrative and tax ...	18	19	131	115	5	6	1	1		
Total expenses	106	631	448	532	5	6	1	1	52	6
Net income/loss (-) for the year	446	-99	101	-110	7	6			28	48
Closing balance of Fund	-1,301	-1,747	29	-72	25	18	13	13	184	156
Net claims during the year ⁽⁴⁾	-644	-152	311	342	*	*	*	*	33	7
Five year average of net claims paid	88	232	274	218	*	*	*	*	15	12

* Not applicable.

⁽¹⁾ The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. In recent years, premiums paid by member institutions have not been sufficient to meet obligations incurred by CDIC under the insurance plan. This deficiency has been funded, in part, by loans from the Government of \$1,627 million at March 31, 1996 (\$2,160 million at March 31, 1995). The Government is continuing to explore alternatives to allow CDIC, over the long run, to eliminate its deficiency without budgetary support from the Government. Since there is no reason to believe that this will not be the case, no provision has been made in the accounts of Canada for the losses experienced by CDIC.

⁽²⁾ Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 1995 disclosed that the Fund had a pre-tax deficit of \$23.8 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. Therefore, operating particulars of this Program are not included in this summary but some information will be found in the notes to the Government of Canada Statement of Contingent Liabilities.

⁽³⁾ The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance fund has been adequate to provide for the full cost of claims experienced to date and to establish an allowance for future claims based on previous claims experience.

⁽⁴⁾ Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for Government enterprises, all Government organizations are accounted for in the financial statements by consolidation. Government enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

Consequently, the contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations". However, the borrowings of agent enterprise Crown corporations are reported with the contingent liabilities of the Government in compliance with the *Financial Administration Act*. In accordance with section 54 of the Act, the repayment of all money borrowed by agent enterprise Crown corporations is payable out of the Consolidated Revenue Fund. Such borrowings therefore, constitute potential obligations of the Government and are reported as such in Table 10.8. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include borrowings by agent Crown corporations (net of allowance for losses), from non-government sources and explicit guarantees by the

Government for borrowings by non-agent Crown corporations from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. These explicit guarantees cover guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total as are the contingent liabilities of consolidated Crown corporations in the following table. Also included, are contingent liabilities related to present and future callable share capital and lines of credit for international organizations.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations, are recorded in the accounts when they become actual liabilities. Losses on loan guarantees are accrued in the accounts through a valuation allowance calculation when it is likely that a payment will be made in the future to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

Also included in Table 10.8 are contingent liabilities related to present and future callable share capital and lines of credit for international organizations. These contingent liabilities may result in non-budgetary future payments.

The following table is also summarized in Note 14 to the financial statements of the Government in Section 1 of this volume.

TABLE 10.8
**STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1996**

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
GUARANTEES BY THE GOVERNMENT OF			
Borrowings by enterprise Crown corporations which are agents of Her Majesty		25,370,185,000 ⁽⁴⁾	16.5
Borrowings by other than enterprise Crown corporations			
From agents			
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing	1,200,000,000	83,281,772 ⁽⁵⁾	
From other than agents			
Guarantee programs of the Government			
Canada Student Loans Act	10,830,394,150 ⁽⁶⁾	4,186,222,365	10.9
Small Business Loans Act	2,363,021,822 ⁽⁶⁾	1,378,823,555	31.1
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act		650,121,961	1.7
Advance Payments for Crops Act	400,000,000	112,644,052	0.9
Atlantic Enterprise Program	34,255,120	34,255,120 ⁽⁷⁾	55.5
Enterprise development program and Canadian Industrial Renewal Board	1,110,744,880	5,919,521 ⁽⁸⁾	
Fisheries Improvement Loans Act	1,050,178 ⁽⁶⁾	991,031	
Regional Development Incentives Act	20,304,075	361,807	
Loans to Indians by approved lenders for on-reserve housing	(9)	883,322,243 ⁽⁵⁾	
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	964,775,000 ⁽¹⁰⁾	389,990,664 ⁽¹⁰⁾	5.9
Aboriginal Economic Program	3,130,000	2,660,500	
Indian economic development	33,022,107 ⁽¹¹⁾	2,069,069 ⁽⁵⁾	
Time Air (1982) Ltd	10,000,000	1,596,242	
	15,770,697,332	7,648,978,130	
Other explicit loan guarantees ⁽¹²⁾			
Loans with respect to the Hibernia Development Project Act	1,660,000,000	1,521,362,650 ⁽¹⁰⁾	
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader	275,000,000	164,543,253	
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft	61,159,500	55,179,460	
Loans to Government of Romania	27,000,000	24,000,000	
Loan to PWA Corporation for operating purposes	50,000,000	21,072,500	
Loans to Government of Hungary	15,000,000	13,500,000	
Loan to Seafreez Food Limited for acquisition of assets	15,000,000	2,856,823	
Loans to Marine Industries Limited for acquisition of assets	55,000,000	1,500,000	
	2,158,159,500	1,804,014,686	
Insurance programs of the Government ⁽¹³⁾			
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees	13,000,000,000 ⁽¹⁴⁾	979,382,697	
Insurance against accidents at nuclear installations under the Nuclear Liability Act ⁽¹⁵⁾	600,000,000	589,455,679	
Insurance under the Fishing Vessel Insurance Plan ⁽¹⁶⁾	28,708,344	120,646,245	
	13,628,708,344	1,689,484,621	

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1996—Continued

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
Other explicit guarantees ⁽¹⁷⁾			
Guarantees under the <i>Prairie Grain Advance Payments Act</i>		223,351,832	3.4
Guarantees under Section 19 of the <i>Wheat Board Act</i>		138,919,000 ⁽¹⁸⁾	
Guarantees to holders of mortgages insured by the			
Mortgage Insurance Company of Canada		28,614,000	
Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i>		6,166,592	16.2
Guarantee of electricity sales by Yukon Energy Corporation			
Curragh Resources Inc	300,000	300,000 ⁽¹⁹⁾	
	300,000	407,351,424	
Total gross guarantees	<u>32,757,865,176</u>	<u>37,003,295,633</u>	
Less: allowance for losses		5,440,000,000 ⁽²⁰⁾	
Net exposure under guarantees		31,563,295,633	
INTERNATIONAL ORGANIZATIONS		17,767,750,504 ⁽¹⁰⁾⁽²¹⁾	
CLAIMS AND PENDING AND THREATENED LITIGATION		10,491,392,238 ⁽¹⁰⁾⁽²²⁾	
COMPREHENSIVE NATIVE LAND CLAIMS		622,777,485 ⁽²³⁾	
Subtotal ⁽²⁴⁾		60,445,015,861	
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS		34,890,000 ⁽²⁵⁾	
TOTAL		<u>60,479,905,861</u>	

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

(3) The percentage of expected losses is calculated, where applicable, by dividing the amount of allowances for loan guarantees by the amount of corresponding outstanding guarantees computed as at March 31, 1996.

(4) Borrowings by agent enterprise Crown corporations in accordance with section 54 of the *Financial Administration Act*, are considered potential obligations of the Government and are therefore included in this statement. Outstanding borrowings for these Crown corporations as at March 31, 1996 are summarized as follows:

(in thousands of dollars)

Canada Lands Company Limited	63,526
Canada Mortgage and Housing Corporation	5,906,037
Canada Post Corporation	198,994
Canadian Wheat Board, The	6,377,342
Export Development Corporation	7,673,336
Farm Credit Corporation	1,582,345
Business Development Bank of Canada	3,045,155
Freshwater Fish Marketing Corporation	9,673
Petro-Canada Limited	489,573
Royal Canadian Mint	4,500
Saint John Port Corporation	19,696
Seaway International Bridge Corporation, Ltd. The	8
Total	<u>25,370,185</u>

(5) Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$86,606,022 and for Indian economic development, nil. At March 31, 1996, no loans have been reported issued for these amounts by lenders. However, since past history indicates that over 95% of these loans will be or have been advanced to clients, these amounts are included as contingencies.

(6) The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee by lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies according to the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

(7) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$31,313,805 as at March 31, 1996) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Federal Office of Regional Development - Quebec (\$2,855,509 as at March 31, 1996). The Department of Industry has responsibility for all capital projects in excess of \$20 million in the Atlantic provinces (\$85,806 as at March 31, 1996).

(8) There are no loan guarantees attributable to the Canadian Industrial Renewal Board.

(9) The authorized limit for loan guarantees for on-reserve housing totals \$1.2 billion (as shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

(10) Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of the statement.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1996—Concluded

- (11) The maximum aggregate amount that may be paid or that may have been paid from the Consolidated Revenue Fund (CRF) relative to Indian economic development in previous, current or subsequent years, with respect to all guarantees authorized and granted, is set at \$60 million. As at March 31, 1996, \$26,977,893 has been expended from the CRF leaving a balance of \$33,022,107 available for disbursement.
- (12) Ridley Terminals Inc. (RTI) became a wholly-owned subsidiary of Canada Ports Corporation, an enterprise agent Crown corporation, on July 30, 1991. Canada Ports Corporation has arranged long-term financing (\$179,500,000 as at March 31, 1996) with an agent Crown corporation to facilitate the acquisition of RTI, payment of which has been guaranteed by the Government. The lending Crown corporation has in turn borrowed from a private sector bank and an appropriate provision has been made in the accounts of Canada in accordance with Note 4 above and Note 20 which follows. Consequently, a contingent liability does not exist in this situation.
- (13) Since 1984, the Canada Mortgage and Housing Corporation (CMHC) has operated the Mortgage Rate Protection Program on behalf of the Government. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 1996 amounted to only \$911,000 (\$911,000 at March 31, 1995). Premiums collected by CMHC are remitted directly to the Consolidated Revenue Fund (CRF) and obligations are ultimately payable from the CRF. Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.
- (14) The *Export Development Act* specifies that Export Development Corporation may enter into contracts of insurance, re-insurance, related guarantees and other agreements up to a maximum of \$13 billion, the authorized limit.
- (15) There have been no claims under the *Nuclear Liability Act* since its inception in 1970. The Act covers 8 Canadian nuclear installations as at March 31, 1996.
- (16) The Fishing Vessel Insurance Plan is administered by the Government to assist fishermen in meeting abnormal capital losses. A consolidated specified purpose account is credited with all amounts received by way of premiums, recoveries and with advances in accordance with regulations by the Government, such advances not to exceed \$150,000 at any time. The account is debited with refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen, where the collision involves a vessel insured under the Plan. As at March 31, 1996, the insured value of vessels under the Plan amounted to \$120,646,245; the balance of the account was \$28,558,344 and outstanding claims against the Plan amounted to \$1,400,000. No new policies were issued under the Plan after February 28, 1995 and coverage expired for all policy holders on March 31, 1996. Policy holders have a year in which to make claims after an incident. Contingent liability will therefore cease on March 31, 1997 and only claims made before this date will be considered.
- (17) A letter of comfort has been provided to the Bank of Canada by the Minister of Finance on behalf of the Government, pledging to seek Parliament's authority to indemnify the Bank of Canada for any losses that may arise in respect of a swap facility with the Bank of Mexico up to an amount of \$1.5 billion Cdn, pursuant to the North American Framework Agreement. There are no drawings outstanding under this facility as at March 31, 1996.
- (18) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board (CWB) arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 1996, approximately \$6.5 billion was recorded as a receivable on the books of the Board for such sales. CWB borrowings from outside parties amounting to \$6.4 billion as at the same date, are considered to be a potential liability of the Government under section 54 of the *Financials Less Borrowings Act* and are recorded elsewhere on this statement (see note 4 above). The amount of \$138.9 million represents the residual contingency (receivables less borrowings) to the Government under the guarantee at year-end.
- (19) The Government has agreed to pay Yukon Energy Corporation up to \$300,000 per year up to March 31, 1997 should electricity sales to Curragh Resources Inc. fall below specified limits.
- (20) Included in the allowance for probable losses is \$4,190 million (\$4,290 million in 1995) for borrowings of agent enterprise Crown corporations.
- (21) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. The Government has also issued lines of credit to international organizations to finance future lending. Because these contingent liabilities relate to non-budgetary share capital and loans, there would be no impact on budgetary expenditures if these potential liabilities become actual liabilities, as cash would simply be exchanged for another asset. See Table 10.9 for more details of these contingencies.
- (22) Classified as follows:
- | | (in millions of dollars) |
|---|--------------------------|
| a. alleged breach of written, verbal or statutory contracts including construction disputes | 430 |
| b. damage to property including loss of income | 731 |
| c. physical and mental injury including accidents and false imprisonment | 365 |
| d. expropriation and land claims | 5,612 |
| e. miscellaneous | 3,353 |
| Total | <hr/> 10,491 |
- Included in (d.) above is \$4.9 billion, a major portion of which consist of aboriginal statutory and treaty obligations representing plaintiffs' claims in 127 litigation cases. There are another 232 similar cases for which amounts are not stated in the claims, and for which it is not possible to determine the amounts that may be ultimately payable. In addition, the Government has 331 cases, not yet in litigation, totalling \$646 million of which are also included in (d.). Of this latter amount, 109 cases amounting to \$456 million represent plaintiffs' claims at the negotiation stage. The amount involved for the remaining 222 claims cannot be determined at this time and no amount for such claims is shown.
- Included in (e) above is \$1,760 million with respect to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1996.
- (23) The Government has 69 comprehensive aboriginal land claims either under negotiation, accepted for negotiation or under review. Of the 69 comprehensive claims, 10 claims relating to the Council for Yukon Indians and two pertaining to the Dene-Metis are in the final stages of negotiation. Should negotiations be ratified, the Government would be liable to pay financial compensation over a number of years as follows:
- | | (in millions of dollars) |
|---------------------------------------|--------------------------|
| Council for Yukon Indians | 163 |
| Portion of the Dene/Metis claim | <hr/> 197 |
| Implementation costs | 360 |
| Total | <hr/> 263 |
| | <hr/> 623 |
- The remaining 57 comprehensive claims have not yet been quantified.
- (24) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Five departments reported contingent gains as at March 31, 1996 totalling \$87 million.
- (25) In accordance with the Government's significant accounting policies, the contingent liabilities of Crown corporations that rely on Government funding as their principal source of revenue, are consolidated with those of the Government.

International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future. As well, lines of credit that have been made available to international organizations to finance future lending activities are included as contingent liabilities.

TABLE 10.9
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES AND COMMITMENTS
(in millions of dollars)

	Contingent liabilities ⁽¹⁾				Commitments ⁽¹⁾		
	Callable share capital	Future callable share capital	Lines of credit	Total	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—							
African Development Bank.....	692			692			
Asian Development Bank	1,417	1,264		2,681		25 ⁽²⁾	25
Caribbean Development Bank	67			67			
Inter-American Development Bank	4,033	1,221		5,254		22 ⁽²⁾	22
International Bank for Reconstruction and Development (World Bank).....	6,889			6,889			
Multilateral Investment Guarantee Agency	35			35			
European Bank for Reconstruction and Development.....	378			378			
International Finance Corporation					10		10
International Monetary Fund		1,772	1,772		552		552
Developing countries—Canada Account					490		490
Subtotal	13,511	2,485	1,772	17,768	1,042	57	1,099
BUDGETARY LOANS AND ADVANCES—							
Caribbean Development Bank - Special					12 ⁽²⁾		12
Global Environment Facility Trust Fund						37 ⁽²⁾	37
Inter-American Development Fund					16 ⁽²⁾		16
Montreal Protocol Fund.....					6 ⁽²⁾		6
International Monetary Fund					283 ⁽²⁾		285
Developing countries—Canada Account					61 ⁽²⁾		61
Subtotal					417		417
Total	13,511	2,485	1,772	17,768	1,459	57	1,516

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1996 (1\$US = \$1.3591 Cdn; 1SDR = \$1.98593 Cdn).

(2) These amounts represent, in certain cases, notes payable to be issued in future years.

Note : Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 500 million of which SDR 221.8 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million (the maximum limit set by the Governor in Council pursuant to the *Bretton Woods and Related Agreements Act* is SDR 225 million), of which SDR 46.7 million has been paid-in. In addition, lines of credit of SDR 892.5 million have been made available to the International Monetary Fund (IMF), subject to Canada's approval. This amount represents Canada's share of a credit arrangement to supplement the IMF's resources. The IMF did not utilize this arrangement in 1995-96. Canada has the right to opt out of calls on the arrangement on balance of payments and reserve grounds. Any drawdowns would involve an exchange of SDRs or currencies from official reserves in return for a reserve claim on the IMF.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 1996.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 12 and 14 to the financial statements which are included in Section 1 of this volume.

SECTION 11

1995-96

PUBLIC ACCOUNTS OF CANADA

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